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Eleventh Annual Report

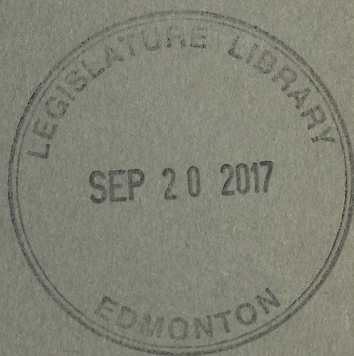
OF THE

Board of Public Utility Commissioners

OF THE

Province of Alberta

1926



EDMONTON:

Printed by W. D. McLean, Acting King's Printer
1927.

SESSIONAL PAPER No. 7.

Eleventh Annual Report

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NOTE.

For the sake of brevity the following sections of the Board's report, as tabled in the Legislature, and consisting of summaries of the matters therein set out, are omitted from this Report:

- (a) Orders relating to Provincial Railways.
- (b) Debenture borrowings by local authorities.
- (c) Orders approving of revenue and expenditure of local authorities, under the Municipal Finances part of The Public Utilities Act, and summary of informal applications under this part.
- (d) Orders relating to the amendment and cancellation or approval of sub-division plans.

These may be obtained on application to the Board.

Eleventh Annual Report

OF THE

Board of Public Utility Commissioners

OF THE

Province of Alberta, 1926

TO THE HONOURABLE J. E. BROWNLEE,

Chairman of the Executive Council of Alberta,

Edmonton, Alberta.

SIR,—

In accordance with the provisions of The Public Utilities Act, 1923, the Board of Public Utility Commissioners has the honour to submit its eleventh Annual Report covering the year 1926.

Public Utilities:

During the past year the Board was called upon to deal with the matter of the rates chargeable by the Canadian Western Natural Gas, Light, Heat & Power Company, Limited, for natural gas in the cities of Calgary and Lethbridge and in the towns of Macleod, Granum, Claresholm, Nanton and Okotoks, and its finding therein is fully set out in this Report. A net rate of 38c per M.c.f. was fixed for ordinary domestic consumption with a sliding scale downward for quantities over 150 M.c.f. per month, so as to enable gas to be largely used by industrial consumers. The previous net rate for domestic consumption was 43c per M.c.f. The Board deemed it unwise to attempt to deal with the question of the price the Company pays for its purchased gas, owing to the doubt regarding its jurisdiction over that particular phase of the matter, and owing to the practical certainty of protracted litigation arising in case it should do so.

In August last the Board also dealt with an application for an increase in Government telephone rates, other than toll rates, and after the hearing, the Board authorized the schedule of rates submitted by the Department.

The rate period fixed by the Board in its decision of 1922, covering the rates chargeable for natural gas in the City of Edmonton expired in November last and, in October last, the Northwestern Utilities, Limited, applied to the Board for an Order fixing the rates for such further period as to the Board might seem proper. The City of Edmonton, however, took exception to the Board exercising any further jurisdiction over the matter, claiming that the rates should revert to those provided for in the original contract between the parties, notwithstanding that this original contract had been subsequently varied by further agreement. Upon the Board holding that it had jurisdiction over the subject matter, the City appealed to the Appellate Division of the Supreme Court, which, however, unanimously upheld the Board's decision. The Board's decision in this matter and its decision in the telephone case, are

given at length in this Report. An early date has been fixed for the hearing of the Edmonton rate matter.

Summaries of all other public utility matters dealt with by the Board during the year under discussion, are hereinafter set out.

Municipal Borrowings:

New debenture borrowings by cities in the Province for the period in question were slightly in excess of those for the year immediately preceding. On the whole, the financial position in regard to these cities may be said to have materially improved in the course of the year just past.

Town borrowings by way of debenture were considerably less than those of the year preceding, while Village borrowings during the year were exceedingly light. The total amount of debenture borrowings by school districts during the past year was slightly greater than that for the previous year, although there was a considerable increase in the number of individual issues.

Municipal Finances:

During the past year, the Board's Recommendations dealing with the towns of Bassano, Redcliff and Taber received the assent of the majority of the respective debenture-holders interested and were approved by Order in Council and these matters may be considered as practically completed, as there only remains to be completed the exchange of the old debentures for new ones to be issued in accordance with the various refunding schemes. In each of these cases the interest rate has been materially reduced and repayment has been extended over a long period of time, with equalized annual payments of principal and interest.

Further applications have been received on behalf of holders of debentures of other local authorities, for inquiries under the provisions of Part IV of The Public Utilities Act, 1923. Some of these applications have been finally dealt with, while others are either in the course of completion or are being dealt with according to the procedure set out in this part of the Act. Twenty-three local authorities, including school districts situated wholly or in part in those urban municipalities coming under the provisions of that part of The Public Utilities Act, were under the supervision of the Board during the past year and were required to submit their annual programmes of revenue and expenditure and to generally comply with the provisions of the various Recommendations affecting them.

As in the year previous, many informal inquiries by holders of debentures of local authorities were received and in the great majority of cases, satisfactory settlement was arrived at without any further application being necessary by the debenture-holders.

Applications relating to subdivision plans:

Although not as numerous as in the preceding year, many applications for cancellation or amendment of subdivision plans were dealt with by the Board during the period covered by this Report. Owing to the extension of certain lines of railway in various parts of the Province, applications in considerable number, for approval of new subdivision plans, were dealt with. It is of interest to note, however, that these plans provided only for the reasonable requirements of the communities springing up along these railway extensions and there had been no attempt to place townsites upon the market for speculative purposes.

Sale of Shares Act:

The various applications coming before the Board in connection with applications under The Sale of Shares Act are set out in a subsequent part of this Report. The situation in regard to Dominion companies, so far as these companies being beyond the provisions relating to the sale of securities in the Province is concerned, remains unchanged and, as pointed out in the Board's 1925 Report, no check whatever can be exercised over the stock-selling operations of these companies.

In the following pages, summaries of various matters dealt with by the Board during the year in question, are given.

Respectfully submitted,

(Signed) A. A. CARPENTER,
Chairman.

(Signed) E. J. FREAM,
Commissioner.

EDMONTON, ALBERTA,

January 31st, 1927.

Order No. 3651. File P.U. 2742.

TUESDAY, THE NINTH DAY OF MARCH, A.D. 1926.

Before:

The Board of Public Utility
Commissioners for the
Province of Alberta.

IN THE MATTER OF The Public
Utilities Act, 1923,

AND IN THE MATTER OF an appli-
cation by Northwestern Utilities, Limited,
for approval of the form of the consumers'
application and contract with the Company
and the Rules and Regulations governing
and forming part thereof.

This is an application by Northwestern Utilities, Limited, for an Order of the Board of Public Utility Commissioners approving of the form of contract to be entered into between the Company and its consumers, and of the Rules and Regulations governing and forming part of all gas applications and contracts.

The main point at issue is in regard to the Company requiring a deposit from a consumer before furnishing gas to such consumer. By virtue of Section 19 of The Water, Gas, Electric and Telephone Companies Act, Chapter 168, R.S.A., companies coming within the scope of that Act are permitted to require a consumer to give reasonable security for the payment of his account. The Company's franchise agreement incorporates within its provisions the provisions of the Act just mentioned, and the Company's right, therefore, to require deposits from a consumer, is clear.

It may be said that the practice of public utility companies requiring deposits from their customers to insure themselves from loss through non-payment of accounts, is widespread and the practice is reasonable, provided the amount of the deposit is not excessive. When the rates of a public utility are under the supervision of a Commission and the company is limited to a fair return upon its investment, any loss occasioned by the default of consumers in payment of their accounts, must be treated as an operating expense and is thus eventually borne by those consumers who pay their accounts. When, therefore, these losses can be avoided by the adoption of a system of deposits, it is universally recognized as being beneficial to all parties concerned to require proper security from intending consumers. While it has objected to the requirement of any deposit, the City has itself adopted the deposit system in connection with its own electric light system. It does not require deposits in connection with its water services, but this is manifestly because, under its Charter, the water charges become liens upon the property served and payment is eventually secured in this manner. It is true that the electric light deposit required by the City is very considerably smaller than the proposed gas deposit, but the size of a deposit is universally regulated by the amount of the risk involved. The average lighting account is much less than the average gas account, although where electricity is used for heating or cooking, it is admitted that the deposit required by the City is substantially greater than in the case of the ordinary electric light account.

The deposits proposed by the Company are, in the opinion of the Board, reasonable so far as the amounts are concerned and while there is the natural objection on the part of the consumers to put up any deposit whatever, it is undoubtedly in the interests of the consumers at large, that loss through non-payment of accounts should be so safeguarded against. The deposit in ques-

tion must not be confused with a meter charge. With such a charge it has no connection whatever.

No provision, however, has been made in the Company's proposal for the allowance to the depositor of any interest upon the amount the consumer is required to put up. While it is not usual to make any such allowance in the case of a small deposit, such as that ordinarily charged by the City in connection with its electric light service, it is quite usual to allow interest where the deposit is a substantial amount, as is the case in the present application. The Board can see no reason why, in this case, the Company should not allow the depositor a reasonable rate of interest upon his deposit. The rate of interest the Company ordinarily would have to pay on bank loans, is six per cent. per annum and, considering that the crediting of interest on these numerous accounts entails considerable additional labour in the keeping of the Company's accounts, the Board believes that an allowance of five per cent. per annum on consumers' deposits would be fair, and it will require the Company to pay, on its consumers' deposits, interest at that rate.

Apart from the question of deposits, the Rules and Regulations have, in the main, been varied to meet the City's objections and the Board will give its approval thereto. The provision relating to deposits has been incorporated in these Rules and Regulations.

The Board will, therefore, and it does now Order that these Rules and Regulations, in their revised form, as now filed with the Board, be, and the same are, hereby approved.

BOARD OF PUBLIC UTILITY COMMISSIONERS,

(Signed) A. A. CARPENTER,

Chairman.

Order No. 3836. File No. M.9.

WEDNESDAY, THE EIGHTH DAY OF SEPTEMBER, A.D. 1926.

Before:

The Board of Public Utility
Commissioners for the
Province of Alberta.

IN THE MATTER OF The Public
Utilities Act, 1923, and

IN THE MATTER OF an application
by the Telephones Branch of the Depart-
ment of Railways and Telephones of the
Province of Alberta for an increase in the
rental tariffs for urban and rural telephone
service throughout the Province and for
other services as set out in the rate schedule
hereunto annexed.

This is an application by the Telephones Branch of the Department of Railways and Telephones of the Province of Alberta for an increase in the rental tariffs for urban and rural telephone service throughout the Province and for other services as set out in the rate schedule hereunto annexed.

Sittings of the Board were held at Lethbridge, Medicine Hat and Calgary on the 17th, 18th and 19th of August respectively, and at Edmonton on the 23rd August last, for the hearing of objections to the proposed increases, and the Board at those sittings heard the representations of the Lethbridge Board of Trade, the Medicine Hat Chamber of Commerce and the representations of both the City of Calgary and of the Calgary Board of Trade. The City of Edmonton operates its own municipal telephone plant, and no objections were presented to the Board at its sittings at that point.

The application sets out that the increase in revenues is required mainly to provide a reasonable depreciation reserve to preserve the original investment, to provide for the replacement of obsolete and worn-out plant and to take care of storm damage. It is further stated in the application that every reasonable economy has been effected to reduce operating expenses to a minimum consistent with efficient service, but notwithstanding this, the present rates are not quite sufficient to pay interest on investment, maintenance and operating costs and the one-half of one per cent. per year to meet Sinking Fund requirements of The Treasury Act, apart from any allowance for depreciation or replacement or to meet storm damage.

The present application is confined to the exchange and rural parts of the Government Telephone System, an increase in toll rates having been granted in 1921, and this increase, it is stated, is sufficient to practically enable the toll system to pay its way.

The Department has filed with the Board, amongst other material, a statement of operating statistics covering the year 1925, which is as follows:—

STATEMENT OF OPERATING STATISTICS, 1925.

EXCHANGE AND RURAL.

CAPITAL INVESTMENT:

Real Estate Land	\$300,513.27	
Real Estate Buildings	777,256.65	
		\$ 1,077,769.92
Central Office Equipment		1,638,782.50
Exchange Station Equipment		974,996.75
Exchange Lines		2,738,790.09
Rural Station Equipment		622,888.90
Rural Lines		7,054,200.76
		\$14,107,428.92
General Equipment		64,939.37
Construction in Progress		11,557.70
Intangibles		605,015.70
Securities		199,114.95
Working Assets		977,335.68
Deferred Debits		1,126,569.68
		\$17,091,962.00

EARNINGS:

Exchange	\$1,021,220.13	
Rural	485,835.40	
Toll (40%)	398,047.76	
		\$ 1,905,103.29
Miscellaneous Operating		81,946.59
Miscellaneous Non-operating		51,475.21
		\$ 2,038,525.09

EXPENSES:

Operation	\$ 885,150.70
Uncollectable and Prepaid Revenues Refunded	13,535.64
Maintenance	312,562.81
	\$ 1,211,249.15
Net Telephone Revenues	827,275.94
Interest Deductions	890,838.54
Sinking Fund Appropriation	82,052.71
Intangibles written down	19,558.32
	\$ 992,449.57
DEFICIT	\$ 165,173.63

RESERVE:

4% on Working Plant (\$13,871,855.02)	\$ 554,874.20
(Includes General Equipment, but not Land or C. in P.)	
TOTAL DEFICIT	\$ 720,047.83

It will be seen from a perusal of this statement that apart from any allowance for depreciation, there is shown to be a deficit of \$165,173.63. The Department asks for a depreciation allowance of 4% on its total investment for working plant which is placed at \$13,871,855.02, or a yearly depreciation allowance of \$554,874.20. With such an allowance the total deficit for the past year would be \$720,047.83.

To meet this deficit a general increase in exchange and rural telephone rates as set out in the schedule hereto attached is proposed. The percentage

of increase over the old rates runs approximately from 20% in some cases to 33½% in others, according to the type of service. It is estimated that these increases will yield approximately \$365,000.00 per year. To make up the balance of the amount required for depreciation allowance, the Government of the Province has agreed to a ten year subvention of the carrying charges on \$3,000,000.00 of intangible and low-earning power plant which releases some \$177,000.00 per year of operating revenues for reserve purposes. With the proposed increases this would make available for depreciation allowance some \$542,000.00. An allowance of 4% on the working plant, already given at \$13,871,855.02, would be \$554,874.20. The amount that would be realized by the proposed increases therefore would be between \$12,000.00 and \$13,000.00 short of the requirement and the deficit of \$165,173.63 would be still unprovided for. It is hoped, however, by the Department to overcome this shortage through increased revenue arising from improved business conditions. In any event the Board is bound by the application before it and has no power to make any increases in rates beyond what is asked for.

The objections raised by the various Boards of Trade and the City of Calgary to the proposed increases do not suggest in any way that the telephone plant is not operated economically and efficiently, nor is it disputed that an increase in rates is required. The Cities of Calgary, Lethbridge and Medicine Hat rather suggest that they are being discriminated against through the proposed increases. Particularly, in so far as the City of Calgary is concerned, it is claimed that the operation of the Calgary Exchange not only pays its way, but yields to the system a very substantial profit. This contention brings up what appears to the Board as the real question to be dealt with in this application, that is, whether or not it is practicable to segregate individual exchanges of a telephone system and base the rates chargeable therein upon the financial result of such operations. The City of Calgary has, from statistics supplied by the Telephone Department, compiled a statement showing the total investment of the working plant in the City of Calgary, the expenditure, covering interest, depreciation, operation, maintenance and the revenue derived from the Calgary plant and shows that under the existing rates there is a surplus of approximately \$48,000.00 per year, while the proposed increases would yield a surplus of over \$165,000.00. It is contended, therefore, that in view of these figures, there should be no rate increases so far as the City of Calgary is concerned.

In the Board's opinion, however, the adoption of such a method of arriving at the rates of a telephone utility is wholly impracticable unless such utility is a self-sustaining unit. The Board is indeed unable to find any precedent for the adoption of such a basis in a matter of this nature. Practically the universal method adopted in a rate-fixing enquiry, where a telephone utility involves province-wide or state-wide activity, is to treat the system as a whole and not endeavour to segregate any particular unit or each and every unit for rate-making purposes. Telephone service to Calgary subscribers (and the same remark applies to other cities and towns and the other communities throughout the Province) is not rendered exclusively through that portion of the Telephone Department's plant located in Calgary, but is also furnished by means of the toll system and by the plant established in all other places throughout the Province.

In the case of the British Columbia Telephone Company and the City of Vancouver, 27 C.R. Cas. pp. 259, 267, the Board of Railway Commissioners of Canada adopted this province-wide basis of fixing telephone rates and refused to consider the segregation of one unit for rate-making purposes. In a Pennsylvania case (*City of New Castle vs. Bell Telephone Company*, P.U.R.

1921, B. 378, 380), in answer to the City's contention that telephone rates should be based on a valuation of the Bell Telephone Company's property in the City apart and distinct from the system in the State as a whole, the Public Service Commission of that State said:—

"As to the second reason advanced (that the rate should be based upon the Company's plant in the City only) the Commission is unable to agree either from any reasonable interpretation or application of the law or from its own experience and that of other commissions, that it would be possible to segregate parts of a state-wide utility such as a telephone system, and value them as units for rate-making purposes. Nothing but chaos would result. On such a theory there would be nearly 400 valuations and therefore 400 different telephone rates on the Bell system in Pennsylvania alone, based on the number of exchanges in the State. The inevitable result would be dislocation and disruption of telephone service. It is well known that the present theory of telephone rate-making is based upon making the cost of service to subscribers correspond to the amount of service which is at their command. Thus the rates in this State are greatest in Philadelphia and Pittsburg . . . and the rates gradually reduced to the lowest charges which are applied to exchanges having the fewest subscribers and therefore the most limited service."

State-wide method of treatment indeed is now so universally adopted by courts and commissions that argument for it as an original proposition is quite unnecessary. The present telephone system in this Province is operated as a Government-owned public utility. It is not operated for profit and any losses that it may incur through inadequate rates must be borne out of general taxation. As already indicated, it was not contended by any of the parties appearing before the Commission that an increase in revenue was not advisable; the question that has arisen is as to the distribution of the burden. It is an established principle in the telephone service that the distribution of the burden of payment of the necessary revenue should be made upon the basis of the class of service furnished, number of subscribers and population of each community affected and adjustments to be made in rates should be made with reference to the community's relation to the system as a whole. This policy is essential to the character of telephone service which the public now demands.

In re New York Telegraph Company, P.U.R. 1922, a, 497, 502, the New York Public Service Commission states:—

"If return be based solely upon local investment, no company can develop unprofitable territory or extend telephone service to smaller communities. The measure of value of telephone service to a subscriber is based upon the most complete extension of telephone service."

A further objection, raised by Mr. Ford on behalf of the Calgary Board of Trade, was that there was discrimination against Calgary subscribers by reason of the fact that subscribers of the Edmonton Municipal Telephone System were using the Provincial Toll System on the same basis as did the Provincial Telephone subscribers, although the Edmonton subscribers did not have to bear any of the burden of the Government Exchange System.

The Edmonton system is owned and operated by the City of Edmonton, and as a municipally-owned utility does not come within the scope of The Public Utilities Act. The only possible means of readjustment, in case it was shown that there was discrimination as is alleged, would be, so far as the Board is concerned, by an increase in the Edmonton Toll rates.

Assuming for the purpose of argument that this discrimination does exist, then does its existence preclude the Telephone Department from obtaining the increases which are now the subject matter of this application? In order to do so, the elimination of the discrimination should have the result of adding to the Department's revenue such an amount as would suggest the necessity

of a material revision of the proposed increases. The deficit in the operation of the Government system last year, without any depreciation allowance, is given as \$165,173.63, and with the depreciation allowance asked for that deficit is increased to \$720,047.83. As already stated, the proposed increase is estimated to yield approximately \$365,000.00 and with the Government subvention of \$177,000.00 per year, the increased revenue to the Telephone Department will be \$542,000.00. This still leaves a deficit of \$178,047.83 unprovided for, but which it is hoped to make up by reason of improved business conditions. The amount received by the Department from Edmonton toll charges last year yielded approximately \$128,000.00. Even assuming that these rates were increased as much as fifty per cent.—and it is not suggested that such an increase would be reasonable or even feasible—it would only yield an additional revenue of \$64,000.00, which is approximately a third of the deficit still remaining notwithstanding the proposed increases and Government subvention. It would suggest itself therefore to the Board that for it to compel the Department to continue the accumulation of deficits merely because it has not dealt with the problem connected with the Edmonton situation is an extremely heavy penalty to inflict upon the Department, particularly when the solution of that problem does not suggest any material relief to the system as a whole, or rather any such relief as would avoid the necessity of an increase on the present proposed scale. The Board is not prepared to penalize the Department, which is operating a utility not for profit, but in order to render service at cost, by refusing the proposed rate increases merely because of the Edmonton situation.

It must be understood that the Board is not holding that there is or that there is not discrimination as suggested. Any such question could only be dealt with after the City of Edmonton had been given adequate opportunity to present its case. However, as already indicated, the Board does not think that even the proof of the existence of such discrimination offers a sufficient reason for refusing the present application.

A comparison of the allowances made for depreciation in numerous telephone systems throughout Canada and the United States, has satisfied the Board that the 4% depreciation allowance asked for is a reasonable one.

For the reasons given, the Board is of the opinion that the present application should be granted and the Board therefore orders that the tariff charges as set out in the hereunto annexed schedule be and the same is hereby approved.

AND IT IS FURTHER ORDERED that such tariff of charges shall become effective on the first day of October, 1926.

BOARD OF PUBLIC UTILITY COMMISSIONERS,

(Signed) A. A. CARPENTER,

Chairman.

ALBERTA GOVERNMENT TELEPHONES

Schedule of rates covering urban and rural telephone service and other services, referred to in Order No. 3836.

GROUP A—Comprising Exchanges having Day Service.

	Present Rate	Proposed Rate.
Business Wall	\$2.25	\$3.00
Business Desk	2.50	3.25
Residence Wall	1.50	2.00
Residence Desk	1.75	2.25
Extension Wall Bus.	1.00	1.25
Extension Desk Bus.	1.25	1.50
Extension Wall Res. ....	.50	.50
Extension Desk Res. ....	.75	.75
Rural Line Wall	1.75	2.25
Rural Line Desk	2.25	2.75
Service Stations .....	.25	.50

Local Exchange Area $\frac{1}{2}$ Mile—Rural Exchange Area 15 Miles.

GROUP B—Comprising Exchanges having Semi-continuous Service.

	Present Rate	Proposed Rate.
Business Wall	\$2.75	\$3.50
Business Desk	3.00	3.75
Residence Wall	1.75	2.25
Residence Desk	2.00	2.50
Extension Wall Bus.	1.00	1.25
Extension Desk Bus.	1.25	1.50
Extension Wall Res. ....	.50	.50
Extension Desk Res. ....	.75	.75
Rural Line Wall	2.00	2.50
Rural Line Desk	2.50	3.00
Service Stations .....	.50	.75

Local Exchange Area $\frac{3}{4}$ Mile—Rural Exchange Area 15 Miles.

GROUP C—Continuous Service Offices having less than 150 Stations.

	Present Rate	Proposed Rate.
Business Wall	\$3.00	\$4.00
Business Desk	3.25	4.25
Residence Wall	2.00	2.50
Residence Desk	2.25	2.75
Extension Wall Bus.	1.00	1.25
Extension Desk Bus.	1.25	1.50
Extension Wall Res. ....	.50	.50
Extension Desk Res. ....	.75	.75
Rural Line Wall	2.00	2.50
Rural Line Desk	2.50	3.00
Service Stations .....	.50	.75

Local Exchange Area $\frac{3}{4}$ Mile—Rural Exchange Area 15 Miles.

GROUP D—Continuous Service Offices having 150 to 500 Stations.

	Present Rate	Proposed Rate.
Business Wall	\$3.25	\$4.25
Business Desk	3.50	4.50
Residence Wall	2.00	2.50
Residence Desk	2.25	2.75
Extension Wall Bus.	1.00	1.25
Extension Desk Bus.	1.25	1.50
Extension Wall Res. ....	.50	.50
Extension Desk Res. ....	.75	.75
Rural Line Wall	2.00	2.50
Rural Line Desk	2.50	3.00
Service Stations .....	.50	.75

Local Exchange Area $\frac{3}{4}$ Mile—Rural Exchange Area 15 Miles.

GROUP E—Continuous Service Offices having 500 to 1,000 Stations.

	Present Rate	Proposed Rate.
Business Wall	\$3.75	\$4.50
Business Desk	4.00	4.75
Residence Wall	2.25	2.75
Residence Desk	2.50	3.00
Extension Wall Bus.	1.00	1.25
Extension Desk Bus.	1.25	1.50
Extension Wall Res. ....	.50	.50
Extension Desk Res. ....	.75	.75
Rural Line Wall	2.25	2.75
Rural Line Desk	2.75	3.25
Service Stations .....	.75	1.00

Local Exchange Area $\frac{3}{4}$ Mile—Rural Exchange Area 15 Miles.

GROUP F—Continuous Service Offices having 1,000 to 5,000 Stations.

	Present Rate	Proposed Rate.
Business Wall	\$4.00	\$5.00
Business Desk	4.25	5.25
Residence Wall	2.50	3.00
Residence Desk	2.75	3.25
Extension Wall Bus.	1.00	1.25
Extension Desk Bus.	1.25	1.50
Extension Wall Res. ....	.50	.50
Extension Desk Res. ....	.75	.75
Rural Line Wall	2.50	3.00
Rural Line Desk	3.00	3.50
Service Stations .....	.75	1.25

Local Exchange Area $1\frac{1}{2}$ Mile—Rural Exchange Area 15 Miles.

GROUP G—Calgary Exchange up to 20,000 Stations.

	Present Rate	Proposed Rate.
Business Wall	\$5.00	\$6.00
Business Desk	5.25	6.25
Residence Wall	2.50	3.00
Residence Desk	2.75	3.25
Extension Wall Bus.	1.00	1.25
Extension Desk Bus.	1.25	1.50
Extension Wall Res. ....	.50	.50
Extension Desk Res. ....	.75	.75
Rural Line Wall	2.50	3.00
Rural Line Desk	3.00	3.50
Service Stations	1.00	1.25

Local Exchange Area $2\frac{1}{2}$ Miles—Rural Exchange Area 15 Miles.

TARIFF OF RATES FOR MISCELLANEOUS EQUIPMENT

All Rates and Service Connection Charges are Applicable to all Groups.

	Present Rate	Proposed Rate.
Booths	\$1.50	\$1.50
Extension Bells (ordinary) .....	.25	.25
Extension Bells (loud ringing) .....	.50	.50
Switches—1 way (single) .....	.25	.25
Switches—2 way (Extension) .....	.75	.75
Switches—3 way (Double throw)	1.50	1.50
Rotary Service (per line) Nil to.....	40.00	1.00
Private Line Stations (Wall)	15.00	15.00
Private Line Stations (Desk)	17.00	17.00
Private Line Circuit (Min. $\frac{1}{2}$ Mile), per $\frac{1}{4}$ Mile	7.50	7.50
Private Line Circuit (Foreign use) (Min. $\frac{1}{2}$ Mile), per $\frac{1}{4}$ Mile	7.50	7.50
Min. Charge \$10.00 including service con- nection charge		Min. \$10.00 on any application.
Business Joint User	$\frac{1}{2}$ reg. rate for initial set.	$\frac{1}{2}$ reg. rate for initial set.
Residence Joint User	\$.50	\$.50

TARIFF OF RATES FOR PRIVATE BRANCH EXCHANGE SERVICE CALGARY

(Same rates applicable at other Exchanges with exception of trunks, rate for which will be 125% of individual line. Service Rate.)

	Present Rate	Proposed Rate.
Rate for Trunk Line—		
Each trunk line	\$5.00	\$7.50
Rate for Stations—		
P.B.X. Manual Wall	1.25	1.50
P.B.X. Manual Desk	1.425	1.65
Automatic local on P.B.X. ....	.....	.50 extra
P.B.X. Outside locals mileage, \$5.00	\$20.00 flat	Mileage
per $\frac{1}{4}$ mile per annum, min. $\frac{1}{4}$	and	only
mile, actual wire mileage	mileage	
All locals located outside the building containing switchboard and not requiring mileage, add 25c per month.		
	Present Rate	Proposed Rate.
P.B.X. Boards	10 lines \$40.00	10 lines \$60.00
	Each add. 10 lines	Each add. 10 lines
	\$10.00	\$15.00
Full Power Circuit—		
Up to 50 stations	\$30.00 per A.	\$40.00 per A.
50 to 100 stations	30.00 per A.	50.00 per A.
Over 100 stations	30.00 per A.	80.00 per A.
Service Connection Charges—		
Installation	Actual cost.	Actual cost.
Adding Locals	\$2.50	Actual cost min.
		\$2.00 per set.
Adding Trunks	3.50	\$3.50
The Department to make a cash payment at the end of each year to all subscribers owning Private Branch Exchanges, such compensation to cover 10% value of equipment.		

TARIFF OF RATES FOR PRIVATE AUTOMATIC EXCHANGE SERVICE

Rates for P.A.X. service will be set by considering the cost of equipment and maintenance charges, the rate fixed will be the minimum covering the initial installation of a given number of trunk lines and stations.

	Per Month.
Additional Trunk Lines, each	\$ 7.50
Additional Stations, each, actual cost, minimum.....	per set 2.00
Additional Switchboard Equipment—Rated in same manner as original installation, the rate charged will be added to the minimum charge creating a new minimum rate.	

IN THE MATTER OF THE PUBLIC UTILITIES ACT, 1923,

AND IN THE MATTER OF An Act Respecting the Edmonton Natural Gas Franchise, being Chapter 29, Statutes of Alberta, 1916, as amended by Section 19, Chapter 4, Statutes of Alberta, 1922.

AND IN THE MATTER OF an application by the Northwestern Utilities Limited for an Order continuing for such further period as to the Board may seem meet, the existing rates chargeable by the Company for natural gas in the City of Edmonton.

APPEARANCES:

H. R. Milner, K.C., for the Company.

H. H. Parlee, K.C., and J. C. F. Bown, K.C., for the City of Edmonton.

This is an application by Northwestern Utilities Limited for an Order of the Board of Public Utility Commissioners continuing, for such period as to the Board may seem meet, the rates for natural gas now in force in the City of Edmonton. At the hearing it being apparent that the final hearing of the application could not be disposed of within the time set by the Board for the existing rates to continue without revision, the Company also asked that the Board continue such existing rates until final disposition of the application.

The City has objected to the Board exercising any jurisdiction in the matter on the ground that under the amendment of 1922, being Section 29 of Chapter 4 of the Statutes of that year, the Board having once fixed a rate has exhausted its powers unless the City Council should pass a resolution consenting to the Board fixing the rates upon investigation and the City contends that when the three year period as set out in the Board's decision of 1922 expires, which is on November 1st of this year, the rates set out in the original franchise agreement become effective. In support of this latter contention, the City alleges that the intention at the time of the fixing of the rates in 1922 was merely to provide the Company temporarily with an increased rate to meet the increase in the cost of pipe and of other material perhaps that had occurred since the execution of the franchise agreement in November, 1915.

In view of the City's contention, it is necessary for the Board to briefly refer to the history of the Edmonton Natural Gas Franchise since the granting of that franchise in 1915. In that year a company, termed the Northern Alberta Natural Gas Development Company Limited, obtained a franchise from the City of Edmonton in which franchise agreement it was stipulated that the rate to be charged for the Company's product was not to exceed Twenty-five cents per thousand cubic feet. There was a further sliding scale downward covering rates chargeable to consumers for large and comparatively large quantities of gas. As pointed out in the Board's 1922 decision, this Company was not able to finance its project, and after a long drawn out dispute and the institution by the City of legal proceedings against the Company, the City and this Company entered into an agreement of settlement, dated August 28th, 1922, which settlement was made an order of Court in the City's action against that Company. By the terms of that settlement the City Council agreed to pass and did subsequently pass the following resolution:—

"Resolved that the Council of the City of Edmonton, duly assembled, do and they hereby consent to the Board of Public Utility Commissioners fixing the prices or rates to be charged for natural gas in the City of Edmonton by the Northern Alberta Natural Gas Development Company Limited, under their fran-

chise upon investigation pursuant to the provisions of Chapter 6 of the Statutes of Alberta, 1915, and amendments thereto, and Chapter 29 of the Statutes of Alberta, 1916, as amended by Section 19 of Chapter 4 of the Statutes of Alberta, 1922."

Prior to this and on March 28th, 1922, the special Act relating to the Edmonton Natural Gas Franchise, being Chapter 29 of the Statutes of Alberta, 1916, was amended by Section 19 of Chapter 4, Statutes of Alberta, 1922. By this amendment Section 43 of the first mentioned Act which reads as follows:—

"Nothing in this Act shall be taken to impair, abridge, take away or affect in any way the jurisdiction and powers of the Board of Public Utility Commissioners under The Public Utilities Act, Chapter 6 of the Statutes of Alberta, 1915, and amendments thereto,"

was amended by adding thereto the following:—

"Notwithstanding the provisions of any Act the Board may, as well before as after the construction of a pipe line, increase, decrease, fix or alter the existing or proposed price to be charged for natural gas without regard for the maximum price fixed by the Agreement, provided that the price so fixed shall not exceed Fifty cents per thousand cubic feet of natural gas, and provided, further, that no application shall be heard by the Board unless the applicant files with the Board a copy of a resolution of the Council of the City of Edmonton consenting to the Board fixing the rates upon investigation."

It may be explained here that in 1920 the Appellate Division of the Supreme Court of Alberta had held that the Board of Public Utility Commissioners had no jurisdiction to increase a franchise maximum rate set out in a franchise agreement. Although that decision may in effect be considered overruled by the same Court in a later decision, it was undoubtedly because of the 1920 decision of the Appellate Division that it was considered necessary to obtain the amendment just referred to. It was, no doubt, with this decision in mind that the Legislature provided that before the Board should exercise any jurisdiction in the way of increasing rates, the City Council should give its consent to the making of any application for such an Order. There was too the fact to be considered that the situation to be dealt with was unusual owing to the fact that it was probable that the rate to be fixed would have to be so fixed before the Company had constructed its system and in a prior decision, the Board had refused to consider an application of this nature without the consent of the City being given.

In pursuance of the amendment already referred to, the Council of the City of Edmonton, on the 28th day of August, 1922, passed the resolution already referred to, and the Company made an application to the Board asking for an Order increasing the maximum rates as set out in the original franchise agreement to an amount not exceeding Fifty cents per thousand cubic feet.

The application came on for hearing in October, 1922, and after an exhaustive enquiry at which both the Company and the City were represented and after the hearing of a great amount of expert and other testimony, the Board issued an Order dated the 27th day of November, 1922, fixing the rate for domestic gas at 46½¢ per thousand cubic feet and the rate for industrial gas at 30¢ per thousand cubic feet. In view of the fact that the plant had yet to be constructed and that the necessary expenditure, income, operating expenses and other necessary data for the fixing of rates had to be arrived at largely by estimate, it was realized by both parties at the hearing that any rate fixed by the Board could at most be merely of a temporary nature, and both the City and the Company adopted a three year period as a reasonable time for the testing out of any rate that the Board might fix. This appears from the data filed by the Company in support of this application at

that time and by the data supplied by the City in its reply to the Company's case. The Board made it quite clear in its decision at that time that the rate therein fixed should be subject to revision at the end of the three year period, when it was considered that the estimates adopted would be replaced by the actual figures both in regard to expenditure, operating costs and income.

Subsequent to the making of this Order by the Board, the Northern Alberta Natural Gas Development Company Limited transferred its rights under the franchise agreement already mentioned and all its assets to the applicant company, the Northwestern Utilities Limited, and application was made to the Board on June 6th, 1923, for the Board's approval to such transfer. Joined to this application was one by Northwestern Utilities Limited for authority to issue bonds to the extent of Four Million dollars for purpose of financing its project. Of this application due notice was given to the City of Edmonton and the City appeared by counsel and no objection was then raised by the City to the proposed transfer. An order was accordingly made approving of the transfer of assets and franchise rights to Northwestern Utilities Limited and of the bond issue of Four Million dollars, but bonds were not to be issued for a greater amount than \$3,250,000.00 without the Board's further approval. In order to finance its project the applicant company proceeded to sell its bonds throughout the Dominion. It may be added that during the past year the Company instead of issuing further bonds had disposed of a substantial amount of preference stock in the City of Edmonton. The Northwestern Utilities Limited proceeded with the construction of the system, and gas was turned on in the City of Edmonton on November 1st, 1923.

By consent of both parties the rates as set out in the Board's formal Order, dated 30th day of November, 1922, which embodied the terms of the Board's decision in the 1922 rates case, were readjusted as and from July 1st, 1924, the rate for the first sixty thousand cubic feet being at 48c, with a sliding scale downward, regulated according to consumption, while a 3c discount on every thousand cubic feet was allowed for prompt payment, this making the basic domestic rate 45c instead of 46½c. Part of the consideration for this reduction in price by the Company was the allowing of the Company to make a minimum charge.

In regard to the objections raised by the City as to jurisdiction, the Board, having in mind the circumstances under which the enabling legislation was passed, believes that the amendment of 1922 already referred to does not contemplate the necessity of the City Council filing a resolution consenting to the exercise of the Board's jurisdiction in each particular application, once the City has, as was done in 1922, passed a resolution in accordance with the amendment of 1922, and filed a copy thereof with the Board. In other words, the Board is of the opinion that the Legislature contemplated the City definitely submitting to the jurisdiction of the Board under the provisions of The Public Utilities Act, but refused to compel it to do so unless it first gave its consent. If the City refused, as The Public Utilities Act was then interpreted by the Court, the matter was left unsettled. A consideration of the surrounding circumstances impresses the Board with this view. Obviously no rate, based merely on estimate as this rate would probably be, could be set up without the possible necessity of considerable re-adjustment once the actual facts were ascertainable, and as has already been indicated this view was adopted at the 1922 hearing by both City and the Company. According to the terms of the City Council's resolution, which after all simply carried out one of the terms of the settlement arrived at in 1922 between the City and the Company, the City consented to the Board fixing the rates to be

charged for natural gas by the Company under its franchise upon investigation, pursuant to The Public Utilities Act. The mention of the 1922 amendment to the Company's Charter was only necessary by reason of the Appellate Court's decision of 1920 as to the Board's lack of jurisdiction to increase contract rates. Notwithstanding some apparent ambiguity in the 1922 amendment, the Board's view is that the filing of the resolution of the City Council in any further application dealing with rates is not necessary, although it believes that the limitation of 50c per thousand cubic feet could not be disregarded by the Board. However, that possibility need not be considered at present.

Even apart from any general jurisdiction under The Public Utilities Act, the Board believes that having merely fixed a tentative rate or at least a rate which was admittedly to come up for revision at the end of a stated period, it has jurisdiction in the present case even confining itself to the provisions of the amendment of 1922. As already pointed out both the City and the Company were at the 1922 hearing thoroughly agreed on the advisability of the fixing of a temporary rate or perhaps it should be said of a rate that would be subject to revision at the end of a stated period which in this case by common consent was fixed at three years. No suggestion was made at that time, nor indeed until the present application, that the rate fixed by the Board should at the end of that three year period revert to the original 25c rate, and to give effect to the City's contention in this regard would involve the repudiation, so far as the City is concerned, of the terms of the settlement agreement entered into between the City and the Company on August 28th, 1922. It is quite safe to say that the Company could not have financed its project had any such basis been adopted in fixing the rates at that time. The City's contention that the difference between the 25c original rate and the 46½c (now 45) was to be treated merely as an allowance to the Company to cover the increased cost of pipe and perhaps of other material and that at the expiration of the three year period the rate was to revert to the original contract rate, cannot indeed be considered seriously. As has already been said there was not the slightest suggestion of such a nature made at the hearing of 1922, and it is rather surprising, if such was in the mind of the City at that time, that the body upon which devolved the duty of fixing the rates should have been left in complete ignorance of such a claim. It suggests itself to the Board that if the City intended to put forward such a contention the time to do so was when the Board was hearing the evidence and arguments of both interested parties for the purpose of determining what rate could be considered fair and reasonable. Furthermore if the City in 1922 considered that the Board exceeded its jurisdiction in attempting to fix a rate which was to be subject to revision at a later period, it suggests itself to the Board that the time to question that jurisdiction was at that time and not after the Company had been allowed to spend several million dollars in compliance with the terms of its settlement with the City and on the strength of the Board's decision.

Even upon the interpretation of the amendment of 1922, therefore, the Board believes that in view of the understanding between the parties at the 1922 hearing and in view of the fixing of what admittedly was a rate that was to be subject to revision later on, it has not exhausted its powers under the 1922 amendment and has power to revise that decision so as to at least make its Order final.

If the Board has exhausted its jurisdiction, as is claimed by the City, there would then be much to be said in favour of the Company's contention which was only raised in answer to the City's denial of the Board's juris-

diction, that the limitation of the rate period as fixed by the Board in its previous decision is without effect. Certainly this contention is quite as reasonable as the City's contention that the Board has exhausted its jurisdiction and the equities in this case appear to be with the Company. However, for the reasons already given, the Board is of the opinion that it has jurisdiction to deal with the present application.

As to the application for a temporary Order, continuing the existing rate until this case is decided, the Board believes that to refuse such an Order would simply lead to confusion. If the City is sincere in its contention, it should be prepared to agree that prior to a decision either by the Board or by the Courts, the supplying of gas to the 6,000 or 7,000 consumers connected up with the Company's system should not be interrupted. The Board will, therefore, make an order continuing the existing rates until the matter is finally dealt with by the Board. In the event of the jurisdiction of the Board not being upheld by the Appellate Division, the extension order will, of course, become ineffective.

DATED at Edmonton, this 30th day of October, A.D. 1926.

BOARD OF PUBLIC UTILITY COMMISSIONERS,

(Signed) A. A. CARPENTER,

Chairman.

Order No. 3905. File No. P.U. 2551.

TUESDAY, THE SIXTEENTH DAY OF NOVEMBER, A.D. 1926.

Before:

The Board of Public Utility
Commissioners for the
Province of Alberta.

IN THE MATTER OF The Public
Utilities Act, 1923, and

IN THE MATTER OF the rates charge-
able by the Canadian Western Natural Gas,
Light, Heat & Power Company, Limited,
for the supply of natural gas to consumers
thereof in the Cities of Calgary and Leth-
bridge, and in the Towns of Macleod,
Granum, Claresholm, Nanton and Okotoks.

APPEARANCES:

A. L. Smith, K.C., and H. R. Milner, K.C., for the Company.

S. B. Woods, K.C., H. P. O. Savary, K.C., and L. W. Brockington for
the City of Calgary.

W. S. Ball, for the city of Lethbridge.

J. W. McDonald, K.C., for the towns of Macleod, Granum and
Claresholm.

Application by the Canadian Western Natural Gas, Light, Heat & Power Company, Limited, for an Order of the Board of Public Utility Commissioners fixing the rates chargeable by the Company for the supply of natural gas to consumers thereof in the Cities of Calgary and Lethbridge, and in the Towns of Macleod, Granum, Claresholm, Nanton and Okotoks. The application came before the Board for hearing on September 24th of this year and the hearing was completed on the 7th day of October last.

In April, 1921, the Calgary Gas Company, Limited, a subsidiary of the Canadian Western Natural Gas, Light, Heat & Power Company, Limited, and the holder of a franchise for supplying natural gas to the City of Calgary, discontinued the sale of gas in the City of Calgary under its franchise and the supplying of gas to the citizens of Calgary was assumed by the Canadian Western Natural Gas, Light, Heat & Power Company, Limited, which, for the sake of brevity, will be hereinafter referred to as "The Company." There being a diminishing and insufficient supply of gas then available for the Company's market, and the Company claiming that it could not continue the supply of gas to its consumers without an increase in the price chargeable therefor, the City of Calgary, in pursuance of an agreement made with the Company on June 1st, 1921, applied to the Board of Public Utility Commissioners for an order directing the Company to augment its supply of gas for use in the City of Calgary and for the fixing of fair and reasonable rates for gas supplied to consumers in that city. After hearing the application, the Board, on October 22nd, 1921, rendered a decision, embodied in a formal Order, dated November 30th, 1921, directing the Company to augment its supply of gas in the manner set out in such Order and fixing the price in the City of Calgary at 53c gross and 48c net per thousand cubic feet. The history of the applicant company and that of its subsidiary, the Calgary Gas Company Limited, and their relations with the City of Calgary prior to June 1st, 1921, have been set out at length in the Board's decision just referred to.

The Order of November 30th, 1921, was to be effective until November 1st, 1924, but by consent of the City of Calgary and the Company, the rate therein fixed was extended for a further period of two years, subject to the

Company complying with certain conditions relative to the developing of the Foremost gas field and subject to the Company connecting that field with the Company's main pipe line near Burdett. On November 9th, 1925, however, disputes having arisen between the City and the Company and a settlement having been arrived at, the Board issued a further consent Order whereby the 48c net rate was reduced to 43c and further step downward rates were brought into effect covering the consumption of gas in quantities greater than two hundred thousand cubic feet per consumer per month. This Order was made to expire on October 31st of this year, the time when the previous extension Order would have expired if not varied.

The City of Lethbridge and the various Towns supplied by the Company's main system had refused to join in the 1920 application, but in 1924, the Courts having in the meantime determined that the Board had jurisdiction in the matter, the Company made application for the extension of the Calgary rate to these other municipalities, and on December 31st, 1924, the Board issued an Order bringing into effect the Calgary rate in these places. The rate reduction brought into effect in the City of Calgary on November 9th, 1925, was by a further Order of the same date also extended to these municipalities. When the present application was mooted, the Board indicated that it would deal with the rates applicable to the Company's whole system when the case came on for hearing, and these various municipalities, with certain exceptions, were represented at the recent hearing and the rates now fixed are to be applicable to all these municipalities.

No rate having been provided for after October 31st of this year, the Company in August last applied to the Board for an Order fixing new rates to become effective upon the expiration of the last mentioned Order, these new rates to be for such period as the Board should deem proper. The Company proposed a net rate of 53c for the first fifty thousand cubic feet consumed per month, and 48c for the next fifty thousand cubic feet, and further step downward rates based upon greater quantities of gas consumed. The Company also asked to be allowed a monthly service charge of \$1.00 per consumer.

Finding it impossible to render a decision before the 1st instant, the Board, on October 30th last, issued an Order extending the existing rates until the coming into effect of new rates under this present decision.

In arriving at a proper rate chargeable by a public utility, it is necessary to determine the following matters, viz.:—

- Rate Base, or amount upon which a return is allowed.
- Operating cost.
- Reserve or Amortization charges.
- Rate Schedule.
- Predicted Revenue.
- Rate of Return.

All these matters will be dealt with in the order just set out.

RATE BASE.

Limitation of Rate Base.

In the consideration of the factors that enter into a Rate Base, it may be said that in the general practice of rate regulation of natural gas utilities, there is a tendency for the Rate Base to become progressively increased out of proportion to the number of consumers to be served. The result of this is disastrous to the consumer, the Company and the service, causing a pro-

gressive increase in price so that even where ample gas supplies are available, the older companies cannot compete with other fuels to secure available markets.

It is highly important that means should be found to protect both the Company and the consumer against a progressive, gradual and undue expansion of the Rate Base disproportionate to the available market. Obviously if the Rate Base is to be limited it must be done by providing reserves accumulated from the earnings of the Company as a source of later additions to capital investment in such a way that the owners of the property will not be called on to furnish the new capital needed, and the Rate Base will not be unduly increased.

In a preceding Alberta case this limitation of the Rate Base was accomplished by the accumulation of a depletion reserve based on the relation of the Company's available gas supplies to the amount of gas sold annually. Such a reserve, while sound when adopted in connection with known and predetermined gas reserves owned by the Company, becomes inapplicable where a considerable proportion of the gas supply is purchased from outside producers and particularly from undeterminable gas fields, as in the present case.

In this case the Board has deemed it advisable that the necessary limitation of Rate Base be secured through a system of amortization reserves of the various classes of assets accumulated at a rate proportional to the respective life in each class and progressively retired from the rate base on the maturity of the amortization period, as discussed fully under the heading of "Amortization."

Theory of Valuation.

Evidence has been submitted by the applicant Company both in this and preceding cases, giving a valuation based on appraisal of existing assets, with certain percentage allowances for elements of value not subject to physical appraisal, based on the present cost of reproduction of the property.

There is also quite satisfactory and complete evidence of the historical cost actually incurred by the investor. Both theories of valuation have been given consideration as a basis for the proposed rate. The Board believes that in cases where the cost of reproduction has been found applicable, it is largely because of either inadequate record of early investment, the implication of improvident investment in early stages, or of a very long preceding period during which much of the property representing original investment has disappeared from service in its original form.

In this specific case none of these considerations tend to invalidate the historical cost as a just basis of rate-making valuation. The Company, in fact, in its presentation of the reproduction value up to 1921, with modifying factors affecting the same assets, but including price changes from 1921 to 1926, provides for the additional investment incurred since 1921 on the basis of historical cost rather than on that of appraisal.

The very wide fluctuations in price shown in the evidence in this case afford the most convincing refutation of the appropriateness of this method of valuation in the present case. The historical cost in this case is satisfactorily clear and definite. The property originally installed is substantially that now in service. The method of retirement of short-lived assets from the rate base, discussed under the heading of "Reserve or Amortization Charges," will keep the historical cost valuation in perpetual agreement with

the physical property in service at any given time with a fair degree of approximation. The Board is of the opinion that the historical cost which has been adopted in connection with the proposed method of amortization should be adopted as the rate-making basis for this property, and it should be maintained currently in the books of the Company properly segregated and distributed to show not only the present rate base but the current increase or decrease therein from year to year.

Historical Cost.

Evidence as submitted in this case sufficiently demonstrates that the figure submitted to the Board in the case of 1921 representing the capital investment as of September 30th, 1920, is correct in detail and that this amount not only represents the entire capital investment, but includes all actual expenditures made for such purposes as were referred to by the Board in its finding of October 18th, 1921, Order No. 1728, as the basis for an additional allowance of 10% on the above named sum.

On the basis of more conclusive data now in evidence, the additional ten per cent. allowance of that Order is, therefore, found to be inapplicable.

Additional capital expenditure since September 30th, 1920, has been satisfactorily shown as follows:—

Expenditure to 30th September, 1920.....	\$5,253,189.36
Expenditure 1920-1921	2,225.45
Expenditure 1921 to 1926 as per Exhibit "A" to Company's case	\$1,624,202.88
Less Preference Share Expense	86,732.10
	<u>1,537,470.78</u>
	<u>\$6,792,885.59</u>

It was agreed that the preference share expense deducted above should not properly have been capitalized.

Of this total expenditure certain items should not now be included in the rate base.

Discount on Debentures.—From the fact that the redemption of the Company's debenture stock has now proceeded to a point where the face value of the debentures in excess of the cash actually realized from their original sale can never accrue as a liability to the Company, it is now proper to exclude the amount of this discount from the Rate Base.

Bond Issue Expense.—Certain preliminary costs incurred by the Company in securing and issuing its debentures are matters pertaining to the relations between the Company and its security holders and should not have been included in the Rate Base, but should be classed as expense incurred by one class of investors in securing the financial assistance of another class, a matter with which the public and the rate-regulating authorities have no concern or responsibility. The following deductions should, therefore, be made from the total expenditures in the preceding table:—

DEDUCTIONS

Discount on debentures	\$513,500.00
Incorporation of Calgary Company	1,531.60
Bassano Franchise	137.44
Estimated legal expense re debenture issue.....	\$24,492.26
Trustees' fees and disbursements	11,007.09
Deemed as applicable to Bond Issue	35,499.35
	<u>\$550,668.39</u>

There are two small minor items obviously deductible included in the above table of deductions.

Further Deductions.—As will be discussed fully under the heading of “Amortization” there are certain assets included in the total expenditure whose period of amortization has already matured and which should on that basis be deducted from the present rate base. These assets are shown in the following table of further deductions:—

Assets whose period of amortization has matured:—

	Total Investment	Per cent. Salvage	Salvage Value	Amortization Value
Burdett Field	\$100,225.73	25	\$ 25,056.43	\$ 75,169.30
Sweet Grass	625.17	...	...	625.17
Burdett Wells	355,818.48	10	35,581.85	320,236.63
Barnwell Wells	18,913.21	10	1,891.32	17,021.89
	<u>\$475,582.59</u>		<u>\$ 62,529.60</u>	<u>\$413,052.99</u>

Rate Base.

The Rate Base in accordance with the above tabulation of expenditures and deductions is as follows:—

Total expenditure to September 30, 1926.....	\$6,792,885.59
Less deductions as listed	\$550,668.39
Less matured amortization	413,052.99
	<u>963,721.38</u>
	\$5,829,164.21
Working capital	200,000.00
Material in stock	163,275.88
Total Rate Base	<u>\$6,192,440.09</u>

The Board has given consideration to the City's claim that the excess over the original contract rate contributed by the consumers and amounting to approximately the sum of \$1,030,000.00, should constitute a further deduction from the Company's rate base, but after careful consideration of the circumstances connected with the 1921 application, it is unable to give effect to this contention on the part of the City.

OPERATING EXPENSE.

Average Expense.

In the Company's presentation of its case there is a statement marked Exhibit “B” of the annual operating cost for the five years just past. The average annual cost shown by this statement is \$362,740.68. It is pointed out, however, that there is included in this average one year that is some \$80,000.00 lower than the other four years, for the reason that a considerable portion of the Company's regular operating force was engaged in new construction on the Foremost Pipe Line, and the expense was charged to capital.

The average operating figure is used by the Board, excluding this subnormal year, for the reason that although this reduction is indicative to some extent of over-organization, which might be obviated by a more general use of contracting for new construction and maintaining only the organization necessary for operating purposes, yet the reduction in operating cost that might be thus effected will be offset by increased cost of securing and handling the larger volume of business, upon which this finding is based. The average operating cost arrived at by the Board is, therefore, \$378,935.07, but from this should be deducted the average amount of capital items that will be written off to operation during the same period, which has been placed at \$10,000.00. This leaves the yearly operating allowance at \$368,935.07.

Rate Hearing.

The previous expenditures for rate hearings are included within this average expenditure. The additional cost of the present rate hearing distributed over a period of three years has been compared with the previous average expenditure for this purpose and an additional allowance included in the predicted operating expense amounting to \$6,651.43 per year.

Cost of Purchased Gas.

Contracts are in evidence under which the Company now purchases gas from the Royalite Oil Company and from the United Natural Gas Development Company based on the utilization of this purchased gas from the entire requirements of the Company's market. The evidence indicates that additional gas will have to be taken from the Company's wells during peak loads. Neither the present available supply nor the line capacity from the Turner Valley field is sufficient for the maximum probable requirements.

Price.

The purchase price in the Royalite contract is 10c per M.c.f. up to 3,500,000 M.c.f. per annum, and 9c for all gas if quantity is in excess of that amount. This includes price for gas and price for desulphurizing. The price from the United Natural Gas Development Company is 8c per thousand untreated.

Mr. Yorath testified that the contract now in force with the Royalite Company due to the change in the basis of measurement under its terms, gives the Company an advantage of a reduction of 5.7% as compared with the basis of measurement under the original contract dated December 31st, 1921. Concerning the fairness of making this deduction from the purchase price in this contract in calculating the price to be allowed for gas purchase in the predicted operating expenses, the Board's engineer advises against such discount in this case for the reason that the Company suffers a handicap in purchasing this gas at an elevation of 4,000 feet and selling the gas at an elevation of approximately 3,500 feet, causing a larger amount of gas to be delivered through the sales meters in Calgary for a cubic foot registration than would have been the case were the altitudes equal. It is possible that this consideration led to the change in the contract basis of measurement. The difference involved is not the exact equivalent of the difference in elevation, but approximates it sufficiently to make a change in the price on this account inadvisable because the net amount involved is trivial. The cost of purchased gas is, therefore, figured at 9c based on the present contract.

It was contended in the City's case that the Board should reject the Royalite contract as a basis for calculating the cost of gas on the ground of improvidence. The Board is asked to make its estimate on the proper field

price for gas under existing circumstances. The City declined to make the Royalite Company a party to this case, and no evidence is available in support of that Company's position. A lowering of the estimated price of purchased gas, with no evidence of this reduction being obtainable, would be a direct tax on the earnings of the Gas Company.

The evidence shows there is no definable basis for a proper field price for gas, that it is governed in all instances by the factors of supply and demand at the time. No evidence is available tending to show that those factors were such at the time of the negotiation of the present contract as to make its terms improvident and subject to being penalized now. It would be impossible for the Company at the present time to replace the gas purchased under this contract with gas from other sources sufficient to supply its consumers. The waste of surplus gas from the Royalite Well at present arises from the reduced demand during off peak periods and the waste is wholly because of the mechanical difficulties of controlling and holding it in reserve under existing pressures.

According to the evidence, during the period of maximum load, it will be necessary to use all the Turner Valley output and use additional gas from other fields. The Board is allowing 9c per thousand cubic feet for gas purchased from the Royalite Oil Company. As already stated, the Company has also a contract for the purchase of gas from the United Natural Gas Development Company which has a well and large holdings in the Foremost field, the price payable to the latter Company being 8c per thousand cubic feet. As under the form of contract which the Company has with the United Natural Gas Development Company the total amount that will be payable to the United Company is small and will not have any effect upon the rate now to be fixed, the Board is allowing the price already mentioned to this Company. Any reduction in the price paid for purchased gas secured by the applicant company should result in an equivalent reduction in the domestic rates.

The graphic charts of the amounts of gas sold monthly at various prices, as submitted in evidence, show the amount of gas sold for the three winter months when it will be necessary to supplement the Turner Valley supply by gas from the Foremost field. The proportion of the total gas sold during December, January and February as compared with the total gas sold during the whole year at the rates given below, is as follows:—

At 48c—37% of the total for whole year.

At 35c—50% of the total for whole year.

Pro rata at 38c—47% of the total for whole year.

In order to arrive at the amount to be allowed for purchased gas, it will be found that later on in this decision, under the heading of "Predicted Income," the Board has estimated the annual sales of gas for the immediately succeeding years at 4,392,664 M.c.f., and the amount allowed in the Company's operating expense for purchased gas is based upon a consumption of that amount. The amount allowed in this connection is \$360,056.16, which is arrived at as follows:—

The average operating figure is used by the Board, excluding this subnormal year, for the reason that although this reduction is indicative to some extent of over-organization, which might be obviated by a more general use of contracting for new construction and maintaining only the organization necessary for operating purposes, yet the reduction in operating cost that might be thus effected will be offset by increased cost of securing and handling the larger volume of business, upon which this finding is based. The average operating cost arrived at by the Board is, therefore, \$378,935.07, but from this should be deducted the average amount of capital items that will be written off to operation during the same period, which has been placed at \$10,000.00. This leaves the yearly operating allowance at \$368,935.07.

Rate Hearing.

The previous expenditures for rate hearings are included within this average expenditure. The additional cost of the present rate hearing distributed over a period of three years has been compared with the previous average expenditure for this purpose and an additional allowance included in the predicted operating expense amounting to \$6,651.43 per year.

Cost of Purchased Gas.

Contracts are in evidence under which the Company now purchases gas from the Royalite Oil Company and from the United Natural Gas Development Company based on the utilization of this purchased gas from the entire requirements of the Company's market. The evidence indicates that additional gas will have to be taken from the Company's wells during peak loads. Neither the present available supply nor the line capacity from the Turner Valley field is sufficient for the maximum probable requirements.

Price.

The purchase price in the Royalite contract is 10c per M.c.f. up to 3,500,000 M.c.f. per annum, and 9c for all gas if quantity is in excess of that amount. This includes price for gas and price for desulphurizing. The price from the United Natural Gas Development Company is 8c per thousand untreated.

Mr. Yorath testified that the contract now in force with the Royalite Company due to the change in the basis of measurement under its terms, gives the Company an advantage of a reduction of 5.7% as compared with the basis of measurement under the original contract dated December 31st, 1921. Concerning the fairness of making this deduction from the purchase price in this contract in calculating the price to be allowed for gas purchase in the predicted operating expenses, the Board's engineer advises against such discount in this case for the reason that the Company suffers a handicap in purchasing this gas at an elevation of 4,000 feet and selling the gas at an elevation of approximately 3,500 feet, causing a larger amount of gas to be delivered through the sales meters in Calgary for a cubic foot registration than would have been the case were the altitudes equal. It is possible that this consideration led to the change in the contract basis of measurement. The difference involved is not the exact equivalent of the difference in elevation, but approximates it sufficiently to make a change in the price on this account inadvisable because the net amount involved is trivial. The cost of purchased gas is, therefore, figured at 9c based on the present contract.

It was contended in the City's case that the Board should reject the Royalite contract as a basis for calculating the cost of gas on the ground of improvidence. The Board is asked to make its estimate on the proper field

price for gas under existing circumstances. The City declined to make the Royalite Company a party to this case, and no evidence is available in support of that Company's position. A lowering of the estimated price of purchased gas, with no evidence of this reduction being obtainable, would be a direct tax on the earnings of the Gas Company.

The evidence shows there is no definable basis for a proper field price for gas, that it is governed in all instances by the factors of supply and demand at the time. No evidence is available tending to show that those factors were such at the time of the negotiation of the present contract as to make its terms improvident and subject to being penalized now. It would be impossible for the Company at the present time to replace the gas purchased under this contract with gas from other sources sufficient to supply its consumers. The waste of surplus gas from the Royalite Well at present arises from the reduced demand during off peak periods and the waste is wholly because of the mechanical difficulties of controlling and holding it in reserve under existing pressures.

According to the evidence, during the period of maximum load, it will be necessary to use all the Turner Valley output and use additional gas from other fields. The Board is allowing 9c per thousand cubic feet for gas purchased from the Royalite Oil Company. As already stated, the Company has also a contract for the purchase of gas from the United Natural Gas Development Company which has a well and large holdings in the Foremost field, the price payable to the latter Company being 8c per thousand cubic feet. As under the form of contract which the Company has with the United Natural Gas Development Company the total amount that will be payable to the United Company is small and will not have any effect upon the rate now to be fixed, the Board is allowing the price already mentioned to this Company. Any reduction in the price paid for purchased gas secured by the applicant company should result in an equivalent reduction in the domestic rates.

The graphic charts of the amounts of gas sold monthly at various prices, as submitted in evidence, show the amount of gas sold for the three winter months when it will be necessary to supplement the Turner Valley supply by gas from the Foremost field. The proportion of the total gas sold during December, January and February as compared with the total gas sold during the whole year at the rates given below, is as follows:—

At 48c—37% of the total for whole year.

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Pro rata at 38c—47% of the total for whole year.

In order to arrive at the amount to be allowed for purchased gas, it will be found that later on in this decision, under the heading of "Predicted Income," the Board has estimated the annual sales of gas for the immediately succeeding years at 4,392,664 M.c.f., and the amount allowed in the Company's operating expense for purchased gas is based upon a consumption of that amount. The amount allowed in this connection is \$360,056.16, which is arrived at as follows:—

Total sales of gas	4,392,664 M.c.f.
Used in winter (47%)	2,064,552 M.c.f.
Daily average	22,940 M.c.f.
Available from Turner Valley	17,000 M.c.f.
Average daily amount from Foremost	5,940 M.c.f.
Total amount from Foremost	534,600 M.c.f.
Purchased from United 30%, 160,380 @ 8c.....	\$ 12,830.40
Purchased from Royalite 3,858,064 @ 9c.....	347,225.76
<u>4,018,044</u>	<u>\$360,056.16</u>

The total annual operating costs, therefore, are estimated as follows:—

5-year average operating expense	\$378,935.07
Less average amount of capital items written off to operation same period	10,000.00
	<u>\$368,935.07</u>
Additional cost rate hearings over previous average.....	6,651.43
Additional cost extra—ordinary maintenance	65,000.00
Cost of gas purchases	360,056.16
	<u>\$800,642.66</u>

RESERVE CHARGES OR AMORTIZATION.

In the interests of simplicity no distinction is made by the Board in this case between reserves for depreciation of physical property and the reserves for amortization of intangible assets not subject to physical appraisal. The sum total of both elements are included under the general caption of Amortization. The amortization instalments as hereinafter determined should be definitely set aside for the designated purpose and increased annually by the four per cent. interest on the total amortization reserve fund. The retirement of amounts from this fund on maturity of various amortization periods will transfer the retired amount to surplus.

Any or all of this reserve which is reinvested either before or after maturity in new capital assets of the Company will, under the following method of accounting, re-enter the rate base on the same terms as new capital from any source.

As briefly stated in dealing with the question of the rate base, the purpose to be served by the amortization reserve is the eventual return to the investor of the capital invested at the end of the period of usefulness of the various assets making up the rate base. The proper distribution of the Company's assets is first made by classes. A life period representing a fair general average from the Company's experience is assigned to each class. The prospective salvage value of each class at the end of its period of usefulness is estimated and the difference between cost and salvage value is set up as the amount to be amortized during the life of the asset.

To determine the present status of this amortization reserve it has been necessary to make a redistribution of the assets throughout the Company's history, assigning each increase in each class to its proper date of investment. The corresponding amortization instalments, with their earnings of 4% interest, have been set up to show the earnings up to September 30th, 1926.

By the retirement from the rate base and also from the amortization reserve of the assets whose period of amortization has matured, that amount of the reserve is returned to the investor, the undue increase of the rate base

is limited and, in case additional investment is required, the capital is provided. The exact date of reclaiming the physical property will not agree with the maturity of the amortization. The salvage value will properly be charged to material in stock in the ordinary course when the physical reclamation is made. Variations between the predicted salvage value and the realized value of the salvage can be currently written off at the time of reclamation without materially affecting the general situation.

Attached to this decision will be found a schedule in which is given a summary of the results arrived at by the Board in the working out of the proper basis of amortization in the present case. This schedule is merely a summary of a number of other schedules, some twelve in number, in which there is set out, in detail, the method adopted in arriving at the results shown in the schedule attached. These other twelve schedules if included in this decision would render it of an extreme length, and for this reason they are being excluded as an integral part thereof, although copies of these schedules, together with an explanation thereof, are being supplied to both the City and the Company.

The schedule now attached, which as already indicated constitutes a summary of the twelve schedules just mentioned, shows the different classes of assets comprising the Company's property that is subject to amortization, the total cost as of September 30th, 1926, the salvage rate, salvage value, amortization value, annual amortization factor, life time of asset, annual amortization charge and the amortization reserve as of September 30th, 1926.

It will be seen from a reference to this schedule that the total amortization reserve as of September 30th, 1926, should be \$938,039.87, and the annual amortization charge \$148,455.50.

Accounting.

At the end of the next fiscal year, the amounts shown in the seventh column designated as "Annual Amortization Charge" shall be severally added to the corresponding amortization reserve figure for that asset, together with 4% interest on the said reserve which will give the new reserve for the succeeding year. Any additional investment added to an asset account during the year shall be properly distributed between salvage value and amortization value as shown and the new amortization value including the addition will be multiplied by the amortization factors shown in Column 5 to determine the corresponding annual amortization charge for the succeeding year. Deductions shall be made from the amortization value and the reserve corresponding to the amount invested in short lived assets during the year whose maturity is complete. For instance, with an asset with a life period of ten years, the 1917 increase in amortization value will be deducted in 1927, both from the amortization value and from the corresponding amortization reserve.

The Rate Base at the close of each fiscal year will include:—

1. The sum of salvage values standing in each asset account.
2. The sum of amortization values standing in each asset account.
3. The sum of all assets classified as not subject to amortization.
4. The current balance standing in stock account.
5. An allowance by the Board as working capital, i.e., \$200,000.00 until otherwise ordered.

It is suggested that a specific set of accounts be set up for carrying forward the data in the foregoing schedules in agreement with current balances in corresponding asset accounts at the end of each fiscal year.

Capital Charges.

All expenses directly contributing to new construction should be charged to the proper capital asset account. This includes preliminary expenses and interest during construction.

Geological expense should be carried as "work in progress undistributed" until it is determined if specific development is to follow. It should then be charged to corresponding field capital account. Geological exploration not resulting directly in a specific field development should be currently written off to operation. All dry holes to be charged to the well capital accounts.

Reserve Charges.

The amortization reserve should be set aside for its designated purpose and kept at its actuarial value by regular additions for interest and annual amortization charges at the close of each fiscal year.

The evidence in this case shows data as of September 30th, 1926, corresponding to the close of the Company's original fiscal year. It has, however, been stated in evidence that the close of the fiscal year was recently changed to December 31st in the Company's accounting system. The reserve accounts should, of course, be kept in harmony with other books. It will, therefore, be necessary at the end of 1927 to make the interest and amortization charges for 15 months, or 125% of the amount shown in the foregoing schedules.

The present ascertained amortization reserve, namely, \$938,039.87, should be properly set up by a transfer from the depreciation reserve account. The City's evidence (Exhibit R.1) shows this depreciation reserve account to include more than one and a half million dollars of previous earnings re-invested in new capital. The amortization reserve herein proposed provides in full for all depreciation and amortization. The balance of the present depreciation reserve account is available for surplus.

Future instalments shall be held available in negotiable interest-bearing form unless required for additional capital investment for which this fund may legitimately be used.

RATE SCHEDULE.

It is necessary in considering any rate schedule to take into consideration the predicted revenue that such schedule will produce, and that again involves the question of the rate of return to be allowed the Company. Conversely in arriving at the predicted revenue of a public utility it is necessary to take into consideration the rates to be charged, for each of these matters is materially dependent upon the other. In dealing with the rate schedule to be established, it is, therefore, necessary to anticipate somewhat the finding of the Board in regard to the Company's predicted revenue.

Modification of Rates.

The rate schedule herein arrived at is designed to permit the maximum earnings to be realized from industrial sales in order to maintain the domestic rates at a minimum.

The controlling factor in these earnings is the necessary price level to secure the business in competition with other fuels. To this end the Company should be permitted on its own initiative from time to time to file for the

approval of the Board a modification of all that part of the rate schedule dealing with quantities of gas larger than 150,000 cubic feet per month, together with the supporting information so that such changes may be considered and put into effect by the Board without the necessity of formal rate hearings, as this part of the rate schedule will be sufficiently regulated at the proper price level by the cost of competing fuel. For sales involving quantities greater than twenty million cubic feet per month, it would seem advisable to allow contracts to be negotiated and submitted individually to the Board for its approval. Incidentally, it may be said that the Board is desirous that the rates at present in force for the supply of gas to certain municipal or other plants supplying light and power to municipalities should not be disturbed. This will not involve any material change in the figures on which the Board has based its present finding.

A study of the evidence was made relative to the available business to be secured from large industrial and commercial users based on the clearly demonstrated desirability of securing the widest possible utilization of gas from this Company's system so long as the present excessive supply is available. A rate schedule has been constructed for an industrial and larger sale under which it is considered that the market can be secured in competition with other available fuels. The possible earnings under this schedule have been estimated from the facts in evidence, as well as the amount of gas that can be sold to domestic consumers. The rate to domestic consumers is established at the minimum price necessary to secure the balance of the total required revenue, as shown under the heading entitled, "Predicted Revenue." The resultant schedule for both domestic and industrial gas is found to be as follows:—

RATE SCHEDULE.

					Gross Rate.	Discount for prompt payment.	Net Rate.
First	150,000	cubic feet per month.....			42c	4c	38c
Next	150,000	" " " "			39c	4c	35c
"	200,000	" " " "			33c	3c	30c
"	500,000	" " " "			28c	3c	25c
"	1,000,000	" " " "			22c	2c	20c
"	3,000,000	" " " "			19c	2c	17c
All over	5,000,000	" " " "			17c	2c	15c

In the above schedule the gas shall be billed to consumers at prices shown in the column headed "Gross Rate," the rate being expressed in cents per thousand cubic feet. Discount shall be allowed for payment within ten days of sending statement on the basis of the quantities shown in the second column labelled "Discount for prompt payment," expressed in cents per thousand cubic feet. The last column in the foregoing schedule is the "Net Rate" expressed in cents per thousand cubic feet.

Provision has already been made for a modification from time to time of all parts of this rate schedule excepting that for the first 150,000 cubic feet per month on the initiative of the Company and by the approval of the Board without formal hearing.

For customers using in excess of 1,000 M.c.f. per month, a form of contract shall be used substantially as approved by the Board in Order No. 3650, March 8th, 1926. The foregoing rate schedule shall be included in the contract form replacing the schedule therein. Sections "B" and "E" shall be deleted from said contract form.

PREDICTED REVENUE.

Domestic Sales.

The Company's case, Exhibit "C" shows the record of the number of domestic consumers for the entire system as follows:—

Fiscal Year.	Domestic Consumers.	Annual Increase.
1922/23	10,768	.....
1923/24	11,568	800
1924/25	12,587	1,019
1925/26	13,579	992

In view of this record the predicted number of domestic consumers is conservatively taken at 14,000. There is no basis for anticipating an impending arrest of the natural growth of these communities.

A graphic study of the past experience of this Company, submitted in evidence by the City, justifies an average annual sale of gas per domestic consumer of 210 M.c.f. at a price of 38c per M.c.f.

"Large Heating" Sales.

Surveys made by the City and Company as to furnace fuel for blocks, hotels, schools, warehouses, etc., show total possible demand for heating such buildings at 754,441 M.c.f. per year. The City's technical adviser estimates 60% of this business can be secured. The Company suggests that 30% of it can be secured the first year. Obviously the amount secured depends in large measure on the nature of the sales effort, but inasmuch as it is proposed that the rates in this Order will continue for a period of years, a sixty per cent. prediction is considered conservative for this estimate.

Industrial Sales.

The City has filed in evidence a survey of industrial consumers with a total demand of 1,164,000 M.c.f. per annum in Calgary and 50,000 M.c.f. outside of Calgary. Of this amount the Company has now secured in Calgary consumers listed at 897,000 M.c.f., and the 50,000 M.c.f. outside of Calgary. For the purpose of this prediction 950,000 M.c.f. and 50,000 M.c.f. for industries inside and outside of Calgary respectively are estimated.

Taking the above estimates into consideration with the Rate Schedule, as shown in the immediately preceding heading entitled "Rate Schedule," the annual income will be as follows:—

ESTIMATED EARNINGS.

	Annual M.c.f.	Average Rate.	Revenue.
Domestic, 14,000 consumers 210 M.c.f....	2,940,000	38c	\$1,117,200.00
Total available large heating load, 754,441 60% to be secured	452,664	25c	113,166.00
Industrial Calgary	950,000		
Outside Calgary	50,000		
Total Industrial	1,000,000	17c	170,000.00
Total for year.....	4,392,664		<u>\$1,400,366.00</u>

To this will be added the \$50,000.00 earnings for transporting gas to the Imperial Refineries, in accordance with the terms of the contract dated July 16th, 1925, between the Gas Production Company and Imperial Refineries

and assigned by the former Company to the Canadian Western Natural Gas, Light, Heat & Power Company on February 26th, 1926. The Company's past experience also justified an average annual estimated income from minimum charges of \$9,000.00.

The total annual income will therefore be:—

Sales of gas	\$1,400,366.00
Transportation to Imperial Refinery.....	50,000.00
Minimum charges	9,000.00
	<u>\$1,459,366.00</u>

RATE OF RETURN.

The rate of return predicted under the rate schedule determined by the Board is approximately 8½% on the present invested capital. In order to secure this return it will be necessary for the Company to operate with a degree of economy and efficiency at least equal to that of the past five years and to make sufficient effort to secure the predicted market. In estimating this rate of return it is not suggested that the Board undertakes to reimburse the Company in future for any temporary or permanent failure to secure this full return.

Summarizing the estimates or findings already given in this report, we have the following return:—

Total Income	\$1,459,366.00
Operating expense	\$440,586.50
Gas purchase	360,056.16
Amortization	<u>148,455.50</u>
Total cost of operation	949,098.16
Net return	<u>\$ 510,267.84</u>

The above figures show the rate of return to be a fraction less than that adopted by the Board, but the 38c rate is the nearest rate to give the required result without adopting a fractional rate, which the Board is not prepared to do.

GENERAL.

In view of the Board's findings in regard to the rate base, the Board will require that the Company properly set up and segregate its asset accounts to show the rate base on the basis directed in this Order as a distinct and separate element in the list of assets.

The proper distribution shall be shown of the assets entering into the rate base to permit of the annual instalment charges for each asset and changes in the amount of the corresponding amortization reserve to be properly calculated and entered in the Amortization Schedules. The amortization reserve should be kept at all times at its true actuarial value for each asset on the basis set out in the amortization schedules furnished the parties along with this decision.

The books for analysis of income should be so arranged as to carry the domestic gas sales as a separate item. Domestic gas sales can be defined as sales to customers not using in excess of 150 M.c.f. per month.

It must be understood that the present finding is based upon existing conditions, and should there be any material change in these conditions affecting the existing status on which this rate schedule is computed, it will necessarily require a revision of the present rate schedule.

The rate schedule herein set out shall be applicable to all meter readings made after the last day of the present month. Having in view the surround-

ing circumstances the Board does not deem it advisable to fix any particular time at which this rate schedule shall expire, but as already indicated will make the schedule effective until further order of the Board.

Owing to the matters in dispute between the parties herein, it was essential that there should be a complete and thorough investigation into the Company's affairs. The City of Calgary took upon itself the onus of conducting the case for the consumers and, while the Board does not wish to be understood as establishing a precedent in regard to the costs in these rate hearings, it is of the opinion that in this case the Company should pay the costs of the City in this hearing. This will mean, of course, that eventually the costs are absorbed in the rate and the Board has made an allowance in the operating costs for this purpose.

RECAPITULATION.

RATE BASE—

Physical property	\$5,829,164.21
Working capital	200,000.00
Material in stock	163,275.88
Total Rate Base	<u>\$6,192,440.09</u>

OPERATING COSTS—

5-year average operating expense	\$378,935.07
Less average amount of capital items written off to operation same period	10,000.00
	<u>\$368,935.07</u>
Additional cost rate hearings over previous average.....	6,651.43
Additional cost extraordinary maintenance.....	65,000.00
Cost of gas purchase	360,056.16
Cost of operation.....	<u>\$ 800,642.66</u>

AMORTIZATION—

Annual amortization allowance, as shown by schedule attached.....	<u>\$ 148,455.50</u>
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PREDICTED INCOME—

Class.	Total Sales per M.c.f.	Average Rate.	Revenue.
Domestic	2,940,000	38c	\$1,117,200.00
Large Heating	452,664	25c	113,166.00
Industrial Class	1,000,000	17c	170,000.00
Total Revenue from sales.....			<u>\$1,400,366.00</u>
Transportation to Imperial Refinery			50,000.00
Minimum charges			9,000.00
Total Income			<u>\$1,459,366.00</u>
Operating expenses			\$440,586.50
Gas purchase			360,056.16
Amortization			148,455.50
Total cost of operation.....			<u>949,098.16</u>
Net Return			<u>\$ 510,267.84</u>
Actual Rate of Return.....			<u>8.25%</u>

The Board will and it does now order that the rate schedule herein set out shall become effective and apply to all meter readings of the Company after the last day of this present month and shall remain in effect until further order of the Board.

BOARD OF PUBLIC UTILITY COMMISSIONERS,

(Signed) A. A. CARPENTER,

Chairman.

CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT AND POWER CO., LTD.

APPLICATION RE RATE (1926)

SUMMARY OF AMORTIZATION SCHEDULES

	Total Cost 30th Sept., 1926	Salvage Rate	Salvage Value	Amortization Value	Annual Amortization Factor	Life in Years	Annual Amortization Charge	Amortization Reserve '26 30th Sept., '26
Main Line— Lethbridge to Calgary	\$1,583,531.67	12 ½ %	\$ 197,941.46	\$1,385,590.21	.01052349	40	\$ 14,581.26	\$264,575.34
Main Line— Bow Island to Lethbridge	678,650.44	30 %	203,596.92	475,059.52	.02401196	25	11,407.10	206,980.88
Distribution Plants— Calgary	839,708.72	30 %	251,912.61	587,796.11	.01052349	40	6,185.66	\$2,206.02
Lethbridge and Other Points	883,707.43	10 %	18,870.74	169,836.69	.01052349	40	1,787.28	22,055.81
Meters	228,254.95	60 %	137,582.97	91,701.98	.01052349	40	1,965.01	11,186.43
Wells—Foremost	239,614.63	10 %	23,961.46	215,653.17	.18462711	5	39,815.42	77,765.07
Burdett .....	.....	.....	.....	.....	.....	.....	.....	.....
Barnwell .....	.....	.....	.....	.....	.....	.....	.....	.....
Monarch .....	.....	.....	.....	.....	.....	.....	.....	.....
Field and Branch Lines— Burdett .....	.....	.....	.....	.....	.....	.....	.....	.....
Barnwell .....	.....	.....	.....	.....	.....	.....	.....	.....
Turner Valley 6" and 8"	531,071.87	25 %	132,767.96	398,303.91	.08329094	10	33,175.09	\$6,208.59
Foremost 10"	106,462.21	25 %	26,615.55	79,846.66	.08329094	10	6,650.51	11,338.19
Foremost Field Lines	384,223.64	25 %	96,055.91	288,167.73	.08329094	10	24,001.76	.....
Turner Valley 10"	63,487.98	12 ½ %	7,936.00	55,551.98	.02401196	25	1,333.90	18,692.66
Telephone Lines	71,801.31	25 %	17,950.33	53,850.98	.01052349	40	566.70	9,855.15
Buildings	447,883.38	.....	.....	447,883.38	.0178301	30	7,985.81	146,073.13
Charges during construction and Undistributed assets.....	.....	.....	.....	.....	.....	.....	.....	.....
	\$5,364,404.23		\$1,115,161.91	\$4,249,242.32			\$148,455.50	\$938,039.87

IN RE CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT AND
POWER COMPANY, LIMITED, AND THE CITY OF
CALGARY *ET AL.*

Amortization Schedules Referred to in the Decision of the Board No. 3905.

EXPLANATORY.

The twelve schedules next following show for each class of assets the total invested capital at the close of each fiscal year for the 15 years of the Company's history. Total invested capital is shown in the first left-hand column following the date line. The next column shows the expected salvage value to be realized on reclamation. The next column shows the remaining value to be amortized through amortization reserve fund. The next column shows the annual increase or decrease in the amount invested. The next column shows in its caption the life period on which amortization is based and, in this column, the annual charge for each dollar invested, necessary to amortize 100% within such period, with 4% interest, compounded annually. The next column marked "No. of Years" shows the number of annual charges accruing to each item of investment up to September 30th, 1926. The factor in the next succeeding column shows the amount which at 4%, compound interest, will accrue to each dollar of amortization charge repeated annually with interest for the said number of years. On the basis of this factor the final column shows the accrued amortization reserve on each item of investment up to September 30th, 1926.

The Company's main pipe line is divided into two separate sections. Schedule No. 1 covers the first section, being that portion of the Company's main pipe line north of Lethbridge which constitutes 70% of the cost of the entire line and is given the maximum period of life at present considered predictable for the business.

Schedule No. 2 covers the other section of the pipe line and is estimated at 30% of the whole. This section represents the portion of the line south and east of Lethbridge which might be conceivably subject to reclamation and relaying in event of a change in the sources of gas. The life period for this section is set at 25 years, with a salvage value of 30%. This is based on its value for relaying in the Company's piping system. With regard to the distribution plants, the salvage value of the Calgary plant is set at 30% based on the possible use for distributing artificial gas, whereas the other distribution plants show a 10% salvage based on reclamation. The various factors in the other schedules are considered self-explanatory with the possible exception of the Turner Valley 10" line, shown in Schedule 11, which shows no accumulation to date because the first year's amortization has not yet expired.

Schedule 12 represents certain factors of the preliminary expenditure not distributed to classes of assets, but considered as pertaining to the entire system and given a weighted average life approximately equivalent to that of the entire plant.

Edmonton, November 16th, 1926.

BOARD OF PUBLIC UTILITY COMMISSIONERS,

(Signed) A. A. CARPENTER,

Chairman.

CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT AND POWER COMPANY, LIMITED.
APPLICATION RE RATE (1926).
MAIN LINE

SCHEDULE 1.

Balance Sept. 30th	Amorn. begins	Total	70 %	Salvage 12½ %	Amortization Value	Annual				Schedule of Amortization.			
						Increase	Decrease	Amortization Annual Charge	No. of Yrs.	Basis of Accumula- tion at 4% to 30th Sept., 1926	Debit	Credit	
1912		\$ 2,213,157.13	\$ 1,549,209.99	\$ 193,651.25	\$ 1,355,558.74	.....	.....	\$14,265.19	.....	18,291,011.19	.....	\$260,937.59	
1913		2,242,275.81	1,569,393.06	196,199.13	1,373,393.93	.....	.....	187.71	.....	18	.....	3,121.02	
1914		2,252,353.68	1,576,647.57	197,030.94	1,379,566.63	.....	.....	64.96	.....	12	.....	976.08	
1915		2,249,958.16	1,574,970.71	196,871.34	1,378,099.37	.....	\$ 1,467.26	.....	\$ 15.44	11	.....	208.23	
1916		2,247,874.53	1,573,512.17	196,689.01	1,376,823.16	.....	1,276.21	.....	13.43	10	.....	161.24	
1917		2,248,087.13	1,573,660.99	196,707.61	1,376,953.38	.....	.....	1.37	.....	9	.....	.....	14.50
1918		2,241,640.80	1,569,148.56	196,143.56	1,373,005.00	.....	3,948.38	.....	41.55	8	.....	382.85	
1919		2,241,878.96	1,569,315.27	196,184.40	1,373,150.87	.....	.....	1.54	.....	7	.....	.....	12.16
1920		2,245,586.19	1,571,310.33	196,488.79	1,375,421.54	.....	.....	23.30	.....	6	.....	158.33	
1921		2,246,688.90	1,571,382.23	196,437.78	1,375,484.45	.....	.....	.66	.....	5	.....	.....	3.37
1922		2,243,296.74	1,570,307.71	196,288.58	1,374,019.25	.....	.....	.....	15.42	4	.....	65.48	
1923		2,243,423.74	1,570,396.61	196,299.58	1,374,097.03	.....	1,465.20	.....	.....	3	.....	.....	2.56
1924		2,253,289.68	1,577,302.77	197,162.84	1,380,139.93	.....	6,042.90	.....	82	2	.....	129.72	
1925		2,259,093.86	1,581,365.70	197,670.70	1,383,695.00	.....	3,555.07	.....	37.41	1	.....	31.41	
1926		2,262,188.11	1,583,631.67	197,941.46	1,385,590.21	.....	1,895.21	.....	19.95	.....	.....	.....	.....
Balance—30th Sept., 1926.		1,385,590.21	.....	14,581.26	.....	264,575.34	.....	.....
		\$33,689,793.42	\$23,582,855.34	\$2,947,856.85	\$20,684,998.49	\$1,393,747.26	\$1,393,747.26	\$14,667.10	\$14,667.10		\$265,393.14	\$265,393.14	

CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT & POWER COMPANY, LIMITED.
APPLICATION RE RATE (1926)

CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT AND POWER COMPANY, LIMITED.

APPLICATION RE RATE (1926)

SCHEDULE 3.

CALGARY DISTRIBUTION PLANT

Balance 30th Sept	Amortization Begins	Total	Salvage 30%	Amortn. Value	Annual		Amortn. Annual Charge 40 Years .01052349	No. Yrs.	Basis of Accumula- tion at 4 % to 30th Sept., 1926	Schedule of Amortization.	
					Increase	Decrease				Debit	Credit
1912	1913	\$ 290,985.84	\$ 87,295.75	\$ 203,690.09	\$ 203,690.09	.....	\$ 2,143.53	14	18,291,911.19	.....	\$ 39,209.26
1913	1914	515,614.83	154,684.44	360,930.39	157,240.30	.....	1,654.72	13	16,626,837.68	.....	27,512.76
1914	1915	617,064.48	185,119.34	431,945.14	71,014.75	.....	747.32	12	15,025,805.46	.....	11,229.98
1915	1916	634,001.39	190,200.41	443,800.98	11,855.84	.....	194.76	11	13,486,651.41	.....	1,682.56
1916	1917	634,489.74	190,346.92	444,142.82	341.84	.....	3.60	10	12,006,107.12	.....	43.22
1917	1918	634,865.88	190,459.76	444,406.12	268.30	.....	2.77	9	10,582,795.31	.....	39.31
1918	1919	647,762.60	193,128.78	450,633.82	6,227.70	.....	65.54	8	9,214,226.26	.....	603.90
1919	1920	647,756.79	194,327.03	453,429.76	2,795.94	.....	29.42	7	7,898,294.48	.....	232.37
1920	1921	653,363.95	196,009.18	457,354.77	3,925.01	.....	41.30	6	6,832,975.46	.....	273.94
1921	1922	653,703.41	196,111.02	457,592.39	237.62	.....	2.50	5	5,416,832.56	.....	13.54
1922	1923	661,181.41	198,354.42	462,826.99	5,234.60	.....	55.09	4	4,246,464	.....	233.94
1923	1924	682,759.96	204,327.98	477,931.98	15,104.99	.....	158.96	3	3,121.6	.....	496.20
1924	1925	684,096.91	205,229.07	478,867.84	935.86	.....	9.85	2	2.04	.....	20.09
1925	1926	769,056.66	230,717.00	538,339.66	59,471.82	.....	625.85	1	1.	.....	625.85
1926	1927	839,708.72	251,912.61	587,796.11	49,456.45	.....	520.45	....	.....	.....	.....
		\$9,562,412.57	\$2,868,723.71	\$6,693,688.86	\$ 587,796.11	.....	\$ 6,185.66	....	.....	.....	\$ 82,206.02

CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT AND POWER COMPANY, LIMITED.
APPLICATION RE RATE (1926)
FOREMOST FIELD

SCHEDULE 8.

Bal. 30th Sept.	Amortn. Begins	Calgary	Lethbridge	Total	Salvage 25%	Amortn. Value	Schedule of Amortization.					
							Annual		No. of Yrs.	Basis of Accumu- lation at 4% to 30th Sept., 1926	Amortization Reserve at 30th Sept., 1926	
							Increase	Decrease			Debit	Credit
1924	1925	.....	.....	\$ 84,061.09	\$ 21,015.27	\$ 63,045.82		\$ 5,251.15	2	2.04	\$10,712.35
1925	1926	.....	.....	94,079.59	23,519.89	70,559.70		625.84	1	1.	625.84
1926	1927	.....	.....	106,462.21	26,615.55	79,846.66		773.52	...	.....	.....
		.....	.....	\$ 284,602.89	\$ 71,150.71	\$ 213,452.18		\$ 6,650.51			\$11,398.19

CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT & POWER COMPANY, LIMITED.
APPLICATION RE RATE (1926)
TELEPHONE LINE

SCHEDULE 9.

Bal. 30th Sept.	Amortn. Begins	Calgary	Lethbridge	Total	Salvage 12 1/2 %	Amortn. Value	Annual		Schedule of Amortization.				
							Increase	Decrease	Amortn. Annual Charge 25 Yrs. .02401196	No. of Yrs.	Basis of Accumula- tion at 4 % to 30th Sept., 1926	Amortn. Reserve at 30th Sept., 1926	
												Debit	Credit
1912	1913			\$ 33,364.98	\$ 4,170.62	\$ 29,194.36	\$ 29,194.36	\$ 701.01	14	18.29191119		\$12,822.81	
1913	1914			50,500.73	6,312.59	44,188.14	14,993.78	360.03	13	16.62883768		5,956.16	
1914	1915			50,531.58	6,316.45	44,215.13	26.99	.65	12	15.02580546		9.77	
1915	1916			52,282.15	6,535.27	45,746.88	1,531.75	36.78	11	13.48635141		496.03	
1916	1917			52,282.15	6,535.27	45,746.88			10	12.00810712			
1917	1918			52,325.08	6,540.63	45,784.45			9	10.58379831			
1918	1919			52,754.38	6,594.30	46,160.08	37.57	90	8	9.21422026		83.11	
1919	1920			53,179.28	6,647.41	46,531.87	371.79	9.02	7	7.89829448		70.45	
1920	1921			53,217.95	6,652.24	46,565.71	33.84	.81	6	6.63297546		5.37	
1921	1922			53,235.95	6,654.49	46,581.46	15.75	.38	5	5.41632256		2.06	
1922	1923			53,326.30	6,665.79	46,660.51	79.05	1.90	4	4.246464		8.07	
1923	1924			54,449.87	6,806.23	47,643.64	93.13	23.61	3	3.1216		73.70	
1924	1925			54,643.59	6,830.45	47,813.14	169.50	4.07	2	2.04		8.30	
1925	1926			60,227.18	7,528.40	52,698.78	4,885.64	117.31	1	1.		117.31	
1926	1927			63,487.98	7,936.00	55,551.98	2,853.20	68.51	....	.....		.....
				\$ 789,809.15	\$ 98,726.14	\$ 691,083.01	\$ 55,551.98	\$ 1,333.90				\$19,692.66	

CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT & POWER COMPANY, LIMITED.
APPLICATION RE RATE (1926)

CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT AND POWER COMPANY, LIMITED.

APPLICATION RE RATE (1926)

SCHEDULE 11

TURNER VALLEY 10" LINE

Balance 30th Sept.	Amortn. Begins	Total	Salvage 25%	Amortn. Value	Annual		Amortn. Annual Charge 10— .08329094	No. of Yrs.	Basis of Accumula- tion at 4% to 30th Sept., '26	Amortization Reserve at 30th Sept., 1926	
					Increase	Decrease				Credit	Debit
1926	1927	\$384,223.64	\$ 96,055.91	\$288,167.73	\$288,167.73	.....	\$ 24,001.76	.....	.....	.....	.....

CANADIAN WESTERN NATURAL GAS, LIGHT, HEAT AND POWER COMPANY, LIMITED.

APPLICATION RE RATE (1926)

SCHEDULE 12

CHARGES DURING CONSTRUCTION AND UNDISTRIBUTED ASSETS

	Salvage 30%	Amortn. Value	Annual Increase	Amortn. Annual Charge (Approximate weighted average) 30— .0178301	No. of Yrs.	Basis of Accumula- tion at 4% to 30th Sept., '26	Amortization Reserve at 30th Sept., 1926	
							Debit	Credit
Charges during Construction as per Schedule B (1920) .....	.....	.....	.....	.....	.....	.....	.....	.....
Deduct: Half Legal Expense	\$ 24,492.26	.....	.....	.....	.....	.....	.....	.....
Trustees' Fees and disbursements.....	11,007.09	35,499.35	.....	.....	.....	.....	.....	.....
Undistributed Assets .....	.....	\$162,052.23	.....	.....	.....	.....	.....	.....
	.....	285,831.15	.....	.....	.....	.....	.....	.....
	.....	\$447,883.38	\$447,883.38	\$ 7,985.81	14	18.29191119	.....	\$146,075.73

Miscellaneous Orders Relating to Public Utilities

January 29, 1926. Order No. 3614. File No. P.U. 3178.

Application by A. H. Davies, O. Willison, A. F. Thompson et al., for an order prohibiting the Weno Power and Light Company from dismantling its plant.

Order made prohibiting the Company from dismantling its system or plant or any part thereof, before March 3rd, 1926.

February 26, 1926. Order No. 3640. File No. P.U. 2551.

Application by the Canadian Western Natural Gas, Light, Heat & Power Company, Limited, for the Board's approval of rates chargeable for natural gas for industrial purposes during off peak months.

Order made approving of the following rates during the months extending from March, 1926, to October, 1926, both inclusive.

First 1,000,000 cubic feet per monthly meter reading,	25c per M.
Next 2,000,000 " " " " " "	20c per M.
Next 3,000,000 " " " " " "	17c per M.
Next 4,000,000 " " " " " "	15c per M.
(and over)	

March 8, 1926. Order No. 3650. File No. P.U. 2551.

Application by the Canadian Western Natural Gas, Light, Heat & Power Company, Limited, for approval of its form of contract, a copy of which is on file in the office of the Board, covering the sale of natural gas during off peak months, for industrial purposes.

Order made.

April 10th, 1926. Order No. 3678. File No. P.U. 2742.

Application by Northwestern Utilities, Limited, for authority to issue 1,000 shares, par value of such shares being \$100.00 each, of its 6% Cumulative Prior Preference shares.

Order made.

April 16th, 1926. Order No. 3689. File No. P.U. 81.

Application by the Town of Strathmore for an Order approving of the grant by the Town to the United Electric & Engineering Company, Limited, of an exclusive franchise for a ten-year period, for the supply of electric light and power to the Town and its inhabitants.

Order made.

April 21st, 1926. Order No. 3693. File No. P.U. 85.

Application by the Town of Vegreville and Ernest William Bowness for approval of the grant by the Town, of an exclusive franchise for a ten-year period, to the said Ernest William Bowness, for the supply of electric light and power to the Town of Vegreville and its inhabitants.

Order made.

May 27th, 1926. Order No. 3719. File No. P.U. 161-A.

Application by the Village of Carbon and the Union Power Company, Limited, for approval of the grant by the Village to the Company, of an exclusive franchise for a period of ten years, for the supply of electric light and power to the Village of Carbon and its inhabitants.

Order made.

June 2nd, 1926. Order No. 3722. File No. P.U. 34.

Application by the Town of Vulcan for approval of the grant by the Town to Albert Mutz and Paul Wittock, trading under the firm name and style of the Vulcan Light and Power Company, of an exclusive franchise for a period of ten years, for the supplying of electric light and power to the Town and its inhabitants.

Order made.

June 11th, 1926. Order No. 3734. File No. P.U. 2742.

Application by Northwestern Utilities, Limited, for authority to issue a further one thousand of its six per cent. cumulative prior preference shares, par value of such shares being \$100.00 each.

Order made.

June 23rd, 1926. Order No. 3745-A. File No. P.U. 53.

Application by the Town of Daysland for approval of the grant by the Town to one Frank Swinton, of an exclusive franchise for a period of ten years, for the supply of electric light and power to the Town and its inhabitants.

Order made.

July 27, 1926. Order No. 3788-A. File No. P.U. 3115.

Application by the United Electric and Engineering Company, Limited, for authority to issue debentures to the extent of \$50,000.00, such debentures to be a charge upon all the Company's assets and undertakings, but subject to the rights of a prior mortgage thereon.

Order made, conditional upon Company not disposing of such debentures to a greater amount than \$30,000.00, unless it obtains further approval of the Board.

August 12, 1926. Order No. 3813. File No. P.U. 2551.

Application by the City of Calgary for directions as to procedure in the matter of the rates charged for natural gas by the Canadian Western Natural Gas, Light, Heat & Power Company, Limited, in the various cities and towns supplied by the Company's main system.

Order for directions made.

August 12, 1926. Order No. 3814. File No. P.U. 62.

Application by the Town of High River for approval of the grant by the Town to the Calgary Power Company, Limited, of an exclusive franchise for a period of ten years, for the supply of electric light and power to the said Town and its inhabitants and for approval of the bylaw of the said Town authorizing the Mayor and Secretary-Treasurer thereof to sign and execute the franchise agreement as set out in Schedule A of the said bylaw.

Order made.

August 13, 1926. Order No. 3818. File No. P.U. 182.

Application by the Village of Trochu for approval of the grant by the Village to the Three Hills-Trochu Light & Power Company, Limited, of an exclusive franchise for a period of ten years, for the supply of electric light and power to the Village and its inhabitants.

Order made.

September 1, 1926. Order No. 3832-A. File No. P.U. 3178.

Application by the Weno Power & Light Company and the Forest Lawn Power & Light Company, Limited, for approval of the sale and transfer by the Weno Power & Light Company to the Forest Lawn Power & Light Company, Limited, of all the plant, assets, rights, property and equipment of the first-named company.

Order made.

September 22, 1926. Order No. 3847. File No. P.U. 2226.

Application by the Village of Lamont for approval of the grant by the Village to Claude C. Howard, of an exclusive franchise for a period of ten years, for the supply of electric light and power to the Village and its inhabitants.

Order made.

October 13, 1926. Order No. 3863. File No. P.U. 34.

Application by the Town of Vulcan for approval of the grant by the Town to the Vulcan Light & Power Company, Limited, of an exclusive franchise for a period of ten years, for the supplying of electric light and power to the Town and its inhabitants.

Order made.

October 14, 1926. Order No. 3864. File No. P.U. 3477.

Application by the Plateau Oil Company, Limited, for a declaratory Order, under the provisions of the Pipe Line Act Amendment Act, 1926, consenting to the operation by the Company of a pipe line from a point in the North West quarter of Section 30, Township 45, Range 6, West of the 4th Meridian, to a point in the South West quarter of Section 1, Township 45, Range 7, West of the 4th Meridian.

Order made upon condition that the Company, in its operation of said pipe line, be deemed a common carrier.

October 14, 1926. Order No. 3865. File No. P.U. 83.

Application by the Town of Taber for approval of the grant by the Town to the Leland Coal Company, Limited, of a franchise for a ten-year period, for the supply to the Town and its inhabitants of electric light and power.

Order made.

October 30, 1926. Order No. 3880. File No. P.U. 2551.

Interim Order in the matter of the application of the Canadian Western Natural Gas, Light, Heat & Power Company, Limited, for the fixing of rates chargeable for natural gas supplied by the Company to its customers throughout its system, with the exception of that part serving the Town of Brooks. Existing rates continued until rendering of the Board's final decision.

October 30, 1926. Order No. 3881. File No. P.U. 2742.

Application by Northwestern Utilities, Limited, for an Order continuing the existing rates chargeable for natural gas in the City of Edmonton, until such time as the Board's final decision is rendered.

Order made.

November 4, 1926. Order No. 3888. File No. P.U. 177.

Application by the Village of Blackie for approval of the grant by the Village to the Calgary Power Company, Limited, of an exclusive franchise for a period of ten years for the supply of electric light and power to the said Village and its inhabitants, and for approval of the bylaw of the Village authorising the Reeve and Secretary-Treasurer thereof to sign and execute the franchise agreement, a copy of which agreement is annexed to the petition of the ratepayers filed with said application.

Order made.

November 22, 1926. Order No. 3912-A. File No. P.U. 2551.

Application by the Canadian Western Natural Gas, Light, Heat & Power Company, Limited, for an Order approving of the issue by the Company of \$1,000,000.00 of 6% cumulative preference shares of the par value of \$100.00 each.

Order made, it being expressly declared therein that such approval shall not in any way affect the question of rates.

November 30, 1926. Order No. 3918. File No. P.U. 241.

Application by the Okotoks Electric Company, Limited for approval of the transfer of its shares to the Calgary Power Company, Limited.

Order made, subject to conditions therein set out.

November 30, 1926. Order No. 3919. File No. P.U. 73.

Application by Frederick Shackleton, carrying on business under the firm name and style of the "Olds Electric Power Company," for approval of the transfer by him to the Calgary Power Company, Limited, of the electric light plant and equipment of the said Olds Electric Power Company and the franchise for the supply of electric light and power to the Town of Olds, held by the said party.

Order made, subject to conditions therein set out.

December 29, 1926. Order No. 3960. File No. P.U. 85.

Application by Ernest William Bowness for approval of the transfer by said Bowness to the Vegreville Utilities, Limited, of the franchise for the supply of electric light and power to the Town of Vegreville and its inhabitants, and for the transfer of all his interest in the electric plant and system in said Town.

Order made.

**MISCELLANEOUS APPLICATIONS WITHDRAWN, NOT PROCEEDED WITH
OR DISMISSED.**

Town of Stavely.—Electric Light Franchise. Not proceeded with.

MISCELLANEOUS APPLICATIONS PENDING, DECEMBER 31, 1926.

S. W. Phillips and Village of Killam—Electric Light Franchise Agreement.

Forest Lawn Power & Light Co., Ltd.—Sale of 7,000 shares.

Northwestern Utilities, Limited—Gas Rates in Edmonton.

St. Paul Electric Supply Co., Ltd.—Transfer of Franchise.

Municipal Finances

UNDER PART IV OF THE PUBLIC UTILITIES ACT.

Applications Received:

- January 16—Application of Mr. T. Farmer, Perth, Ontario, holder of all debentures issued by the Lone Star School District No. 1943.
- January 19—Application of T. J. Darling, Lansdowne, Ontario, on behalf of Miss M. A. Allan, holder of all debentures issued by the Capitol School District No. 2779.
- January 20—Application of Mr. R. F. Whiteside, Little Britain, Ontario, holder of all debentures issued by the Pipe Line School District No. 2383.
- January 20—Application by Mr. T. H. Ratcliffe, Winnetka, Illinois, U.S.A., holder of all debentures issued by the Flaxland School District No. 2988.
- April 27—Application of the Confederation Life Association, Toronto, Ontario, holder of the majority of debentures issued by Chamberlain School District No. 1513.
- May 18—Application of Council of Town of Carmangay, on behalf of Town and School District.
- May 22—Application of Council of Town of Athabasca on behalf of Town and School District.
- September 30—Application of Monarch Life Insurance Company, Winnipeg, Manitoba, holder of all debentures issued by the Mann Lake School District No. 3665.

Formal Sessions of Board:

- April 8—Town and School District of Beverly, at the Town Hall, Beverly.
- May 25—Chamberlain School District No. 1513, at Grassy Lake.
- May 26—Town and School District of Bow Island, at the Town Hall, Bow Island.
- May 27—Vauxhall School District No. 4053 and Kinlock School District No. 3998, at Vauxhall.
- May 27—Lone Star School District No. 1943; Meadow Lane School District No. 3046, and Forestry School District No. 3534, at Retlaw.
- August 3—Cardiff School District No. 2115 at Cardiff.
- August 26—Town and School District of Athabasca at Town Hall, Athabasca.
- October 29—Mann Lake School District No. 3665, at Board's Offices, Edmonton.
- November 24—Town and School District of Bow Island, at Town Hall, Bow Island.
- November 25—Chamberlain School District No. 1513, at Grassy Lake.

Formal Sessions—Assessment Appeals:

- August 16—At Court House, Macleod. Appeal of Royal Bank of Canada from decision of Court of Revision of the Town of Macleod, dismissing their appeal against improvement assessment on dwelling house. Appeal dismissed.

Recommendations Issued and Completed:

- January 8—Recommendation re Donnelly Consolidated School District No. 66. Approved by Order-in-Council No. 100/26, dated January 25, 1926. Order No. 3958, dated December 29, 1926, authorizing District to complete re-funding as provided for in Recommendation.

February 4—Recommendation re Town of Redcliff and Redcliff School District No. 2283, approved by Order-in-Council No. 1284/26, dated October 29, 1926. Order No. 3962, dated December 30, 1926, authorizing Town and School District to complete refunding as provided for in Recommendation.

February 11—Recommendation re Capitol School District No. 2779. Approved by Order-in-Council No. 306/26, dated March 13, 1926. Order No. 3961, dated December 30, 1926, authorizing District to complete refunding as provided for in Recommendation.

June 7—Recommendation re Town of Bassano and Bassano School District No. 2131. Approved by Order-in-Council No. 1586/26, dated December 27, 1926. Order No. 3968, dated December 31, 1926, authorizing Town and School District to complete refunding as provided for in Recommendation.

June 10—Recommendation re Town of Taber and Taber School District No. 933. Approved by Order-in-Council No. 1587/26, dated December 27, 1926. Order No. 3969, dated December 31, 1926, authorizing Town and School District to complete refunding as provided for in Recommendation.

November 17—Recommendation re Mann Lake School District No. 3665. Approved by Order-in-Council No. 1525/26, dated December 13, 1926. Order No. 3956, dated December 28, 1926, authorizing District to complete refunding as provided for in Recommendation.

Recommendations Issued and Pending:

December 22—Recommendation re Chamberlain School District No. 1513, issued and submitted to debenture holders for signature.

Preliminary Recommendations Submitted and Pending:

September 2—Preliminary Recommendation re Town of Carmangay and Carmangay School District No. 2087, submitted to Debenture Holders.

December 1—Preliminary Recommendation re Bow Island School District No. 1883, submitted to Debenture Holders.

December 1—Preliminary Recommendation re Town of Bow Island, submitted to Debenture Holders Committee.

Applications Disposed of:

February 10—Bow Slope School District No. 3862. All outstanding coupons with accumulated interest thereon paid to due date in 1926.

September 28—Clyde Consolidated School District No. 67. All outstanding coupons with accumulated interest thereon paid to due date in 1926.

December 5—Kinlock School District No. 3998. Two coupons with accumulated interest thereon retired in full, and satisfactory arrangements made for payment of balance in arrears.

December 31—Vauxhall School District No. 4053. All outstanding coupons with accumulated interest thereon paid to due date in 1926.

Other Applications Pending:

Town of Beverly and Beverly School District No. 2292—arranging for cancellation of parts of Townsite under Part VIII and discussing possible plans for refunding with Debenture Holders' Committee.

Town of Athabasca and Athabasca School District No. 839—waiting further action by Debenture Holders.

Lake Valley School District No. 3844—further information being secured.

Applications Under The Sale of Shares Act

Name of Company.	Capitalization	Par value of shares	How Disposed of
Abell Oil Company	\$ 100,000.00	\$ 10.00	Refused.
Alberta Associated Oilfields, Limited	1,000,000.00	1.00	Pending, Dec. 31, 1926.
Angus Oils, Limited	650,000.00	1.00	May 28th, 1926. Cert. No. 237, 300,000 shares.
Baxter Wainwright Oils, Limited	250,000.00	1.00	May 12th, 1926. Cert. No. 234, 75,000 shares.
Bear Lake Sporting Association, Ltd.	Unlimited	25.00	April 7th, 1926. Cert. No. 193 renewed.
Bear Lake Sporting Association, Ltd.	Unlimited	10.00	July 5th, 1926. Cert. amended as to par value of shares.
Blue Flame Gas Company	150,000.00	1.00	Not proceeded with.
British Canadian Mines, Limited	3,000,000.00	1.00	Not proceeded with.
Chestermere Community Cooperative Association, Ltd.	Unlimited	10.00	Jan. 22nd, 1926. Cert. 200 shares.
Dalhousie Oil Co., Limited	3,000,000.00	1.00	Feb. 23rd, 1926. Cert. 92,631 shares at \$1.35 per share, to present shareholders of Southern Alberta Oils, Limited.
Edmonton Credit Company, Ltd.	500,000.00	100.00	Application for renewal of Cert. No. 165—not proceeded with.
Edmonton Iron Works Company, Limited	50,000.00	100.00	Feb. 8th, 1926. Cert. 390 shares.
Edmonton Lands, Limited	500,000.00	100.00	Refused.
Elbow Oil Company, Limited	300,000.00	1.00	Aug. 14th, 1926. Cert. 150,000 shares.
Elks Holding Co., Ltd.	20,000.00	1.00	June 23rd, 1926. Cert. 10,000 shares.
Elks Holding Company, Limited.	20,000.00	1.00	Pending, Dec. 31st, 1926.
Glenmobile Company of Canada	500,000.00	10.00	Not proceeded with.
Grande Prairie Milling Co., Ltd.	20,000.00	50.00	Oct. 20th, 1926. Cert. 200 shares.
Hayward Lumber Company, Ltd.	100,000.00	100.00	May 27th, 1926. Cert. 200 Initial Preference Shares and 250 Cumulative Preference Shares.

APPLICATIONS, ETC.—Continued

Name of Company.	Capitalization	Par value of shares	How Disposed of
Hutton Coal Company, Limited.	\$ 75,000.00	\$ 1.00	Dec. 1st, 1926. Cert. 39,995 shares.
Jasper Investments, Limited.	500,000.00	100.00	Feb. 5th, 1926. Cert. No. 196 renewed.
Kew Oil Company, Limited.	500,000.00	1.00	Not proceeded with.
Lac La Biche Fisheries, Ltd.	10,000.00	10.00	March 31st, 1926. Cert. 500 shares.
Maltonic Products, Limited.	50,000.00	1.00	May 14th, 1926. Cert. 20,000 shares.
McLaren Oil Company, Limited.	250,000.00	1.00	April 8th, 1926. Cert. 100,000 shares.
Medicine Valley Co-op. Assn., Ltd	Unlimited.	1.00	March 16th, 1926. Cert. 500 shares.
Mount Royal Oil Company, Ltd.	300,000.00	1.00	April 16th, 1926. Cert. 150,000 shares.
Mutual Investment Company, Ltd.	40,000.00	100.00	June 7th, 1926. Cert. 140 shares.
Neal Brothers, Limited.	100,000.00 (par value) 10,500 shares (no par value)	10.00	Pending, Dec. 31st, 1926.
New Valley Oil Company, Ltd.	500,000.00	1.00	April 22nd, 1926. Cert. 150,000 shares.
Northern Alberta Coal Mines, Ltd.	50,000.00	10.00	Sept. 23rd, 1926. Cert. 1,000 shares.
Oakleaf Dairy Company, Ltd.	20,000.00	10.00	Nov. 3rd, 1926. Cert. 800 shares.
Oakmont Oil Company, Limited.	50,000.00	1.00	Aug. 14th, 1926. Cert. 20,000 shares.
Oxville Oil, Gas & Development Company, Limited.	70,000.00	1.00	May 7th, 1926. Certificate 30,000 shares.
Ranchmen's Gas & Oil Company, Limited.	500,000.00	1.00	May 29th, 1926. Cert. 150,000 shares.
Roberta Oils, Limited.	500,000.00	1.00	Not proceeded with.
Stavelock Silos, Limited.	100,000.00	100.00	Jan. 7th, 1926. Cert. 650 participating cumulative preference shares.
Sterling Investment Company, Limited.	600,000.00	.....	April 15th, 1926. Cert. \$40,000 Collateral Trust 7% Sinking Fund bonds.
Straw Paper Company of Canada, Ltd.	500,000.00	100.00	Dec. 4th, 1926. Certificate 2,250 shares.
Three Hills Milling Company, Limited.	20,000.00	25.00	Dec. 16th, 1926. Certificate 560 shares.

APPLICATIONS, ETC.—Continued

Name of Company.	Capitalization	Par value of shares	How Disposed of
Union Land & Loan Company, Limited.	\$ 20,000.00	\$100.00	Nov. 22nd, 1926. Cert. 200 shares.
Vulcan Oils, Limited.	250,000.00	1.00	Feb. 13th, 1926. Certificate 25,000 shares.
Wainalta Oil Company, Limited.	300,000.00	1.00	April 30th, 1926. Cert. 85,000 shares.
Wood, Gundy & Co. (St. Maurice Valley Corporation).	.....	.....	\$50,000.00 6% First Mortgage and Collateral Trust Sinking Fund Gold bonds.
Wood, Gundy & Co. (St. Maurice Valley Corporation).	.....	.....	\$50,000.00 7% Sinking Fund Cumulative Preference Shares.

